



TOURO UNIVERSITY
JACOB D. FUCHSBERG LAW CENTER
Where Knowledge and Values Meet

Touro Law Review

Volume 26 | Number 1

Article 10

December 2012

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Recommended Citation

Casalini, Rosalinde (2012) "Harry Potter, Scientology, and the Mysterious Realm of Copyright Infringement: Analyzing When Close is Too Close and When the Use is Fair," *Touro Law Review*: Vol. 26: No. 1, Article 10.

Available at: <https://digitalcommons.tourolaw.edu/lawreview/vol26/iss1/10>

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Harry Potter, Scientology, and the Mysterious Realm of Copyright Infringement: Analyzing When Close is Too Close and When the Use is Fair

Cover Page Footnote

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HARRY POTTER, SCIENTOLOGY, AND THE MYSTERIOUS REALM OF COPYRIGHT INFRINGEMENT: ANALYZING WHEN CLOSE IS TOO CLOSE AND WHEN THE USE IS FAIR

*Rosalinde Casalini**

After going to a theatre and watching a new movie, would it be possible to go home and write a book about it? What about after reading a novel? Would a reader be free to write a new book using the same characters? Would a teacher be able to write her own training manual using the exact techniques she had just learned in another author's book? Is there any recourse for authors facing these types of situations? This Comment explores how two lower courts have recently addressed these questions. The first decision, *Warner Bros. Entertainment Inc. v. RDR Books*,¹ determined whether an unauthorized encyclopedia of the *Harry Potter* series infringed the original author's copyright. The second case, *Peter Letterese and Associates, Inc. v. World Institute of Scientology*,² determined whether the scientology church infringed an author's copyright protection when the church, without the author's consent, used content from the author's book in its materials.

This Comment will first analyze the two recent cases. It will address the scope of copyright protection that authors are granted, determine when the use of an author's work constitutes copyright infringement, and ascertain when the copyright infringer is entitled to assert the fair use defense. Lastly, this Comment will address the

* Juris Doctor Candidate, May 2010, Touro College Jacob D. Fuchsberg Law Center. I would like to thank the wonderful people in my life who continually help me to succeed. First, my husband, Brian, and my children, Cody and Brett, for being so understanding of all of the family time that I missed during my law school career. Second, Professor Rena Sep-lowitz for her encouragement and advice throughout each stage of this paper. Third, the Touro Law Review for its assistance in publishing my Comment. Finally, my mother, Mary Flammer, and my very dear friends, Sarah Catalan and Jane Liehmann, who were incredibly supportive throughout my law school journey. I would also like to thank God, who has helped me at every stage of my life.

¹ 575 F. Supp. 2d 513 (S.D.N.Y. 2008).

² 533 F.3d 1287 (11th Cir. 2008).

disparities in the cases, evaluate whether the cases should have been decided differently, and suggest if the tests used by either court should be modified.

I. TWO RECENT CASES ON COPYRIGHT INFRINGEMENT

A. Harry Potter

In *Warner Bros.*, the famous author J.K. Rowling, along with Warner Bros., brought a copyright infringement suit against a publishing company that, without her consent, published an encyclopedia for *Harry Potter* fans, titled the *Lexicon*.³ According to the plaintiffs' pleadings, the defendant, RDR Books, published a book which "compile[d] and repackage[d] Ms. Rowling's fictional facts derived wholesale from the *Harry Potter* Works without adding any new creativity, commentary, insight, or criticism."⁴ Rowling registered all of the books in the *Harry Potter* series and the two companion books with the United States Copyright Office.⁵ Copyrights are additionally held by Warner Bros., a business engaged in "creating . . . and marketing motion pictures and goods related to the *Harry Potter* books," for each of the *Harry Potter* films, which it has produced.⁶ Rowling had already begun to write and sell companion books to the *Harry Potter* series and designated all profits generated by them to benefit charities.⁷ After repeatedly asking the defendant to refrain from publishing the encyclopedia, Rowling and Warner Bros. filed a lawsuit asserting that the defendant's use of the plaintiffs' "original copyrighted material as a basis for the Infringing Book, without permission."⁸ The "[p]laintiffs allege[d] that the *Lexicon* not only violate[d] their right of reproduction, but also their right to control the production of derivative works."⁹ The plaintiffs asked the "[c]ourt [to] find

³ Plaintiffs' First Amended Complaint at 1, *Warner Bros. Entm't, Inc. v. RDR Books*, 575 F. Supp. 2d 513 (S.D.N.Y. 2008) (No. 07-CV-9667), 2008 WL 219213 [hereinafter *Complaint*].

⁴ *Id.*

⁵ *Id.* at 22.

⁶ *Id.* at 8.

⁷ *Id.* at 2.

⁸ *Complaint*, *supra* note 3, at 9-10(50).

⁹ *Warner Bros.*, 575 F. Supp. 2d at 538.

that [d]efendant has infringed [p]laintiffs' copyrights in the *Harry Potter* Books, the Companion Books and the *Harry Potter* Films . . . [and to grant] [a] permanent injunction restraining [d]efendant . . . from . . . sell[ing] . . . the Infringing Book or any works derived or copied from [p]laintiffs' copyrighted works."¹⁰ The plaintiffs also sought damages and attorneys' fees.¹¹

The defendants claimed that the *Lexicon* was "an original literary reference guide . . . [and] denie[d] that the book . . . infringed any right belonging to either [p]laintiff."¹² The defendants further argued that "[a]ny alleged use of copyrighted material is lawful based on the doctrine of fair use."¹³ The court ultimately decided that the defendants were not protected by the fair use defense; it reasoned that the "fair-use factors, weighed together in light of the purposes of copyright law, fail[ed] to support the defense of fair use in this case."¹⁴ However, surprisingly, the court determined that the *Lexicon* did not constitute a derivative work.¹⁵

B. The Scientology Case

In another recent case, the Eleventh Circuit also dealt with a copyright infringement claim.¹⁶ The plaintiff, Peter Letterese, was "a principal of PL&A."¹⁷ PL&A had acquired rights to Les Dane's literary works, including an instructional book on how to close deals entitled *Big League Sales Closing Techniques* ("*Big League Sales*"), which was the focus of the litigation.¹⁸

L. Ron Hubbard, who founded the Church of Scientology International ("CSI"), recommended the book as a training aid for "registrars"—members who sell scientology materials and advise members.¹⁹ The church made its own materials such as " 'checksheets'

¹⁰ Complaint, *supra* note 3, at 12-13 (1,7).

¹¹ *Id.* at 10 (52).

¹² Defendant's Answer to the First Amended Complaint at 1, Warner Bros. Entm't, Inc. v. RDR Books, 575 F. Supp. 2d 513 (S.D.N.Y. 2008) (No. 07 Civ. 9667), 2008 WL 678509 [hereinafter Answer].

¹³ *Id.* at 6(50).

¹⁴ *Warner Bros.*, 575 F. Supp. 2d at 551.

¹⁵ *Id.* at 539.

¹⁶ *Letterese*, 533 F.3d 1287.

¹⁷ *Id.* at 1295.

¹⁸ *Id.* at 1294.

¹⁹ *Id.*

and 'drill sheets' " that were used in conjunction with assigned readings from *Big League Sales*.²⁰ Members were not given a copy of the book but were required to obtain a copy on their own.²¹ Les Dane was aware of the CSI's use of his book and used the book when giving seminars to the church.²²

The Church of Spiritual Technology ("CST") was developed in 1982 to inherit Hubbard's estate, "including his intellectual property rights."²³ There were two main types of CSI courses that included study of the book: the "Professional Registration Course" and the "Organization Executive Course."²⁴ CST obtained the copyrights to the materials written by Hubbard and licensed them to both CSI and the World Institute of Scientology Enterprises ("WISE").²⁵ WISE is a membership organization which sells materials and services on the application of Hubbard's management techniques to secular organizations.²⁶ CST held the right to review according to a license agreement.²⁷

Bridge Publications ("Bridge"), a company that publishes scientology materials, sought rights to the book.²⁸ PL&A chose not to grant Bridge the rights.²⁹ While PL&A and Dane were in litigation, Bridge sought the rights directly from Dane; however, it did not succeed.³⁰ Although "PL&A and Bridge Publications resumed negotiations . . . to publish hard cover versions of the book for internal use of [c]hurch organizations," the negotiations were unsuccessful.³¹ Despite PL&A's refusal to grant use of Dane's work, CSI and WISE continued to use checksheets and drill sheets similar to the ones found in *Big League Sales*.³² On September 10, 2004, PL&A sued CSI, CST, and WISE "for the alleged violation of its exclusive rights pursuant to the Copyright Act, 17 U.S.C. § 101 . . . within the three

²⁰ *Id.*

²¹ *Letterese*, 533 F.3d at 1294.

²² *Id.*

²³ *Id.* at 1295.

²⁴ *Id.* at 1294-95.

²⁵ *Id.* at 1295.

²⁶ *Letterese*, 533 F.3d at 1295.

²⁷ *Id.*

²⁸ *Id.* at 1296.

²⁹ *Id.*

³⁰ *Id.*

³¹ *Letterese*, 533 F.3d at 1296.

³² *Id.* at 1297.

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years prior to filing.”³³

PL&A alleged “that the WISE Sales Course’s checksheets and drill sheets constitute[d] unauthorized reproductions of *Big League Sales* in violation of 17 U.S.C. § 106(1).”³⁴ PL&A further claimed “that the WISE Sales Course as a whole—which includes the checksheets, drill sheets, and *Big League Sales* itself—constitute[d] an infringing derivative work based upon the book in violation of 17 U.S.C. § 106(2).”³⁵ PL&A also named CSI and CST as defendants and alleged that their “courses such as CSI’s Organization Executive Course and Professional Registration Course . . . as a whole constitute[d] infringing derivative works based upon the book.”³⁶

The district court granted summary judgment for defendants on the defenses of laches and fair use.³⁷ Therefore, the court did not fully analyze the copyright claim.³⁸ On appeal, the defendants asked the Eleventh Circuit to affirm, stating that the copyright claim was properly excluded from the district court’s analysis because all four factors of the fair use defense were satisfied.³⁹ However, in its decision, the Eleventh Circuit analyzed both the plaintiff’s copyright infringement claim as well as the defendant’s fair use defense.⁴⁰ The court affirmed that the use of the materials by CSI was fair, reversed the lower court’s decision that the doctrine of laches prevented the plaintiff from recovering, and held that a genuine issue of material fact existed regarding the substantial similarities of the works and the use of the materials by WISE.⁴¹

II. WHAT IS COPYRIGHT PROTECTION?

Copyright protection is derived from the United States Constitution. Article 1, Section 8 grants Congress the authority “[t]o pro-

³³ *Id.*

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Letterese*, 533 F.3d at 1297-98.

³⁷ *Id.* at 1298.

³⁸ *Id.* at 1298-99.

³⁹ Brief of Appellees at 16, *Letterese*, 533 F.3d 1287 (No. 05-15129-II), 2006 WL 4121411 [hereinafter Brief]. “The trial court did not reach the question of whether Defendants’ use of BLS constitutes infringement because it viewed their use as clearly fair.” *Id.*

⁴⁰ *Letterese*, 533 F.3d at 1293.

⁴¹ *Id.* at 1317-20.

mote the Progress of Science and the useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”⁴² By allowing the author to have exclusive control for a limited time period, the author is given incentive to create.⁴³ When the time period expires, the work enters the public domain, benefiting society.⁴⁴

Copyright protection is given to original expressions manifested in a tangible form.⁴⁵ The current copyright law, found under the 1976 Copyright Act, provides a copyright holder with six exclusive rights, including the right to reproduce and the right to create derivative works.⁴⁶ Although the holder of a copyright has the right to control how his work is used and who is permitted to use it, the protection is only for the original expression of the author,⁴⁷ and “it does not extend to any underlying ideas, procedures, processes, and systems.”⁴⁸ The events following a common theme are indispensable

⁴² U.S. CONST. art. I, § 8, cl. 8.

⁴³ Naomi Jane Gray, *Overview of Copyright Basics and Basics of the Copyright Office*, in PRACTISING LAW INSTITUTE, PATENTS, COPYRIGHTS, TRADEMARKS, AND LITERARY PROPERTY COURSE HANDBOOK SERIES PLI ORDER NO. 11270 25, 31 (2007).

⁴⁴ *Id.*

⁴⁵ *Letterese*, 533 F.3d at 1302; 17 U.S.C.A. § 102(a) (West 2009).

⁴⁶ 17 U.S.C.A. § 106 (West 2009). The full text of the rights given under Section 106 of the 1976 Copyright Act are:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

Id.

⁴⁷ *Letterese*, 533 F.3d at 1302; 17 U.S.C.A. § 102(b).

⁴⁸ *Letterese*, 533 F.3d at 1302 (citing *Herzog v. Castle Rock Entm't*, 193 F.3d 1241, 1248 (11th Cir. 1999)).

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elements of a particular topic, and are not copyrightable.⁴⁹

III. HOW IS COPYRIGHT INFRINGED? THE *FEIST* TEST

*Feist Publications, Inc. v. Rural Telephone Service Co.*⁵⁰ held that two prongs must be satisfied to establish copyright infringement: “(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.”⁵¹

A. What Constitutes Copying?

In *Warner Bros.*, since ownership was not in dispute—the novels had valid copyrights—the court focused only on the second *Feist* prong.⁵² To establish the second element, a plaintiff is required to prove “two components: first, . . . actual copying by either direct or indirect evidence; then, . . . that the copying amount[ed] to an improper or unlawful appropriation.”⁵³ The test to determine whether the appropriation is actionable is whether the second work has a ‘substantial similarity’ to the protected work.⁵⁴ Since the defendants, RDR Books, admitted to copying and scanning the original work, the only question remaining was whether the works were substantially similar.⁵⁵

Similarly, the *Letterese* case looked to *Feist* in determining whether a prima facie case of copyright infringement occurred.⁵⁶ Just as in *Warner Bros.*, the plaintiff owned a valid copyright, leaving only the second *Feist* element in dispute.⁵⁷ Here too, the defendants did not contest that as a factual matter copying had occurred.⁵⁸ There-

⁴⁹ *Id.* (citing *Herzog*, 193 F.3d at 1248).

⁵⁰ 499 U.S. 340 (1991).

⁵¹ *Id.* at 361.

⁵² *Warner Bros.*, 575 F. Supp. 2d at 533-34.

⁵³ *Id.* at 533 (citing *Castle Rock Entm’t, Inc. v. Carol Publ’g Group, Inc.* 150 F.3d 132, 137 (2d Cir. 1998); *Laureyssens v. Idea Group, Inc.*, 964 F.2d 131, 139-40 (2d Cir. 1992)).

⁵⁴ *Id.* (quoting *Castle Rock*, 150 F.3d at 137); *Ringgold v. Black Entm’t Television, Inc.*, 126 F.3d 70, 74-75 (2d Cir. 1997) (citing MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.03[A] (Mathew Bender & Co. 2008) [hereinafter NIMMER]).

⁵⁵ *Warner Bros.*, 575 F. Supp. 2d at 533-34.

⁵⁶ *Letterese*, 533 F.3d at 1300 (citing *Feist*, 499 U.S. at 361; *Suntrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257, 1265-66 (11th Cir. 2001)).

⁵⁷ *Id.*

⁵⁸ *Id.* at 1301.

fore, analogous to the *Warner Bros.* case, the *Letterese* court was required to analyze the second component of the *Feist* test, whether appropriation was actionable.⁵⁹ Applying the same test used in *Warner Bros.*, the court focused on the question of “‘whether there [was a] ‘substantial similarity’ between the allegedly offending [works] and the protectable, original elements’ of the book.”⁶⁰

B. How do the Courts Analyze Whether There is a Substantial Similarity?

“[S]ubstantial similarity between the plaintiff’s and defendant’s works is an essential element of actionable copying.”⁶¹ To determine if the works are substantially similar, an “evaluation must occur in the context of each case, both qualitatively and quantitatively.”⁶² “The quantitative relation of the similar material to the total material contained in plaintiff’s work is certainly of importance.”⁶³ However, substantial similarity may be found when “the similar material is quantitatively small,” but is nevertheless “qualitatively important.”⁶⁴ Moreover, there are two different ways to find substantial similarity: by finding comprehensive non-literal similarity (the overall structure is the same—but not the language) or by finding fragmented literal similarity (when the second work consists of similar or paraphrased language of the first text).⁶⁵ Thus, it is possible to find substantial similarity even when the text of the allegedly infringing work does not contain the exact text of the original work. In both of the cases discussed, the courts determined whether there was substantial similarity between the two works by analyzing the qualitative/quantitative and comprehensive non-literal/fragmented literal aspects.⁶⁶

⁵⁹ *Id.*

⁶⁰ *Id.* (citing *Oravec v. Sunny Isles Luxury Ventures, L.C.*, 527 F.3d 1218, 1224 n.5 (11th Cir. 2008); *Bateman v. Mnemonics, Inc.*, 79 F.3d 1532, 1542 (11th Cir. 1996)).

⁶¹ NIMMER, *supra* note 50, § 13.03[A].

⁶² *Id.* § 13.03[A][2][a].

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ NIMMER, *supra* note 50, § 13.03[A].

⁶⁶ See *Letterese*, 533 F.3d at 1307; *Warner Bros.*, 575 F. Supp. 2d at 533-35.

1. *Qualitative v. Quantitative*

The court in *Warner Bros.* used the qualitative/quantitative test outlined in *Ringgold v. Black Entertainment Television, Inc.* and *Castle Rock Entertainment, Inc. v. Carol Publishing Group, Inc.* to determine if the *Lexicon* was substantially similar to Rowling's work.⁶⁷ This test asks the question of whether "the copying is quantitatively and qualitatively sufficient to support the legal conclusion that infringement (actionable copying) has occurred."⁶⁸

In *Ringgold*, the Second Circuit was faced with the question of whether a television show that had an artist's unauthorized work visible in several scenes had infringed the author's copyright.⁶⁹ In its analysis, the court stated that "substantial similarity[] requires that the copying is quantitatively and qualitatively sufficient to support the legal conclusion that infringement (actionable copying) has occurred."⁷⁰ *Ringgold* further explained that "the qualitative component concerns the copying of expression . . . [and] [t]he quantitative component generally concerns the amount of the copyrighted work."⁷¹ The defendants in *Ringgold* argued that "the nine instances in their television program in which portions of the poster were visible, individually and in the aggregate, were *de minimis*, in the sense that the quantity of copying . . . was below the threshold of actionable copying."⁷² "[T]he defendants further contend[ed] that the segments showing any portion of the poster [were] *de minimis* from the standpoint of qualitative sufficiency" because the poster was not discernable by viewers.⁷³ The court found that the "threshold for actionable copying of protected expression has been crossed" because the four to five seconds the painting was visible was reinforced by the scattered seconds in which the poster was partially displayed; additionally, it determined that the qualitative component had also been sufficient because a lay observer could recognize the painting.⁷⁴ Therefore, the court held that substantial similarity was established

⁶⁷ 575 F. Supp. 2d at 534-35.

⁶⁸ *Id.* at 534 (quoting *Ringgold*, 126 F.3d at 75).

⁶⁹ *Ringgold*, 126 F.3d at 72-73.

⁷⁰ *Id.* at 75.

⁷¹ *Id.*

⁷² *Id.* at 76.

⁷³ *Ringgold*, 126 F.3d at 77.

⁷⁴ *Id.* at 76-77.

and the copying was actionable.⁷⁵

In *Castle Rock*, the Second Circuit applied the qualitative/quantitative test it laid out in *Ringgold*.⁷⁶ The court faced the issue of whether a book comprised of facts of the copyrighted television show, *Seinfeld*, infringed the producer's copyright.⁷⁷ The court held that the defendant, by copying 643 fragments of the television series, had "crossed the quantitative copying threshold under *Ringgold*."⁷⁸ The court further held that the qualitative aspect had been met because the trivia questions were, in reality, based not on facts, but rather on fictitious expression.⁷⁹ Therefore, the court, applying the *Ringgold* test, found the materials were substantially similar.⁸⁰

Warner Bros., following *Ringgold* and *Castle Rock*, addressed the quantitative component by investigating "the amount of the copyrighted work that [had been] copied."⁸¹ The court found that "[m]ost of the . . . entries contain[ed] direct quotations or paraphrases, plot details, or summaries of scenes" and that the "quantum of copying [was] sufficient to support a finding of substantial similarity."⁸² The court then went on to evaluate the quantitative aspect by considering both the similar paraphrasing and verbatim language.⁸³ The court found that the plaintiffs sustained their burden by "show[ing] that the *Lexicon* draws its content from creative, original expression in the *Harry Potter* series and companion books."⁸⁴ Similar to *Castle Rock*, each *Harry Potter* fact is, in reality, the author's expression of fiction.⁸⁵

The defendants argued that the *Lexicon* was not qualitative because, unlike *Castle Rock*, " 'the *Lexicon* use[d] fictional facts primarily in their factual capacity' " to instruct readers on where to find the *Harry Potter* information.⁸⁶ The court agreed that the issue

⁷⁵ *Id.* at 77.

⁷⁶ *Castle Rock*, 150 F.3d at 138.

⁷⁷ *Id.* at 135.

⁷⁸ *Id.* at 138.

⁷⁹ *Id.* at 138-39.

⁸⁰ *Id.* at 139.

⁸¹ *Warner Bros.*, 575 F. Supp. 2d at 534 (citing *Ringgold*, 126 F.3d at 75).

⁸² *Id.* at 535.

⁸³ *Id.*

⁸⁴ *Id.* at 536.

⁸⁵ *Id.*

⁸⁶ *Warner Bros.*, 575 F. Supp. 2d at 536 (citations omitted).

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was important, but stated that it was not relevant to the question of whether “on its face” the two works were substantially similar enough to cause infringement; instead, it should be addressed under the fair use defense.⁸⁷ Analogous to *Castle Rock*, the *Warner Bros.* court concluded that, because the copied text was neither a fact nor an idea, it was the author’s original expression and, therefore, protected under the copyright law.⁸⁸

The *Letterese* court also analyzed whether the works were substantially similar by assessing the quantitative and qualitative aspects.⁸⁹ Analogous to the defendant in *Ringgold*, the defendant in *Letterese* argued that his works did not constitute infringement, because the amount of copying was *de minimis*.⁹⁰ The defendant in *Letterese* further claimed that the alleged infringing works copied only a small amount of the original work and, relying on *Nimmer on Copyright*, stated that the amount was not enough to be considered actionable.⁹¹ Similar to *Warner Bros.*, the court applied the *Ringgold* test and explained that, even if the alleged infringing work only uses a small portion of the original work, it may still be actionable “because it is the relative portion of the copyrighted work—not the relative portion of the infringing work—that is the relevant comparison.”⁹² The court held that the sections copied were so qualitatively important, especially the portions used in the sales drill materials, that summary judgment should not be granted in favor of the defendants.⁹³

2. Comprehensive Non-Literal v. Fragmented Literal

The defendant in *Warner Bros.*, knowing that a substantial amount of the *Lexicon* was similar to Rowling’s work, argued that the

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ *Letterese*, 533 F.3d at 1307.

⁹⁰ *Id.* at 1306.

⁹¹ *See id.* at 1306-07 (pointing out that the defendant was relying on Melville B. Nimmer & David Nimmer, NIMMER ON COPYRIGHT, § 8.01[G], which states “for similarity to be substantial, and hence actionable, it must apply to more than simply a *de minimus* fragment”) (quoting NIMMER, *supra* note 50, § 8.01[G]).

⁹² *Letterese*, 533 F.3d at 1307.

⁹³ *Id.*

court should only look at the order of the facts, not the similarity of the text, when determining whether two works were substantially similar.⁹⁴ The defendant urged that, although the *Lexicon* and Rowling's work may have similar fictional facts, the order of the facts was different and, therefore, substantial similarity could not be established.⁹⁵ However, the court disagreed with the defendant and stated that the standard to find substantial similarity did not rest with the order of the text.⁹⁶

According to *Nimmer on Copyright*, there are two different ways to find substantial similarity.⁹⁷ The first is comprehensive non-literal similarity, which refers to the entire structure of plaintiff's work.⁹⁸ "[C]omprehensive similarity [exists] between [] two works . . . where the fundamental essence or structure of one work is duplicated in another . . . but no word-for-word or other literal similarity [exists]."⁹⁹ The second is fragmented literal similarity, which is when localized language in plaintiff's and defendant's works is similar or paraphrased.¹⁰⁰ With fragmented literal similarity, "[t]he question in each case is whether the similarity relates to matter that constitutes a substantial portion of plaintiff's work—not whether such material constitutes a substantial portion of defendant's work[;]" thus, even if only a small amount of the defendant's work is similar to the plaintiff's work, "if it is qualitatively important, the trier of fact may properly find substantial similarity."¹⁰¹

The court in *Warner Bros.* clarified that the law in the Second Circuit has found substantial similarity to occur not only when there are " 'global similarities in structure and sequence,' " but also when fragmented literal similarity occurs.¹⁰² Therefore, the court held that order does not preclude substantial similarity.¹⁰³ Similar to *Castle Rock*, where statements from the show were used out of order, the

⁹⁴ *Warner Bros.*, 575 F. Supp. 2d at 536-37.

⁹⁵ *See id.*

⁹⁶ *Id.* at 537.

⁹⁷ NIMMER, *supra* note 50, § 13.03[A].

⁹⁸ *Id.*

⁹⁹ *Id.* § 13.03[A][1].

¹⁰⁰ *Id.* § 13.03[A][2].

¹⁰¹ *Id.* § 13.03[A][2][a].¹

¹⁰² *Warner Bros.*, 575 F. Supp. 2d at 537 (quoting *Twin Peaks Prod., Inc. v. Publ'n Intern., Ltd.*, 996 F.2d 1366, 1372 (2d Cir. 1993)).

¹⁰³ *Id.*

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statements, here, used in the *Lexicon*, though maybe out of order, consist of enough direct quotes and paraphrased material to be found substantially similar.¹⁰⁴ Therefore, despite the difference in the way the material was ordered, the plaintiffs established a prima facie case of copyright infringement.¹⁰⁵

In *Letterese*, the court's analysis revealed "both fragmented literal similarity and comprehensive nonliteral similarity of protected expression."¹⁰⁶ In contrast to *Warner Bros.*, the court in *Letterese* found the substantial similarity rested on the structure of the defendant's work in comparison to the plaintiff's work.¹⁰⁷ The sales techniques in both the WISE and CSI materials were ordered similarly to the way the *Big League Sales* book was ordered, and the scientology materials also used Les Dane's opinion on the most effective way to employ the sales techniques.¹⁰⁸ The court noted that even the manner in which material was tracked and organized may evidence a " 'fundamental essence or structure of one work [which] is duplicated in another.' "¹⁰⁹ Therefore, the court held that non-literal similarity of protected expression may be established by the organization of the content.¹¹⁰

Next, the court in *Letterese* analyzed whether the amount of literal similarities between the two works alone was enough to establish substantial similarity. The court investigated the literal similarities, noting that fragmented literal similarity will "rise to the level of substantial similarity '[i]f this fragmented copy is important to the copyrighted work, and of sufficient quantity.' "¹¹¹ The defendant argued that the copied text did not constitute infringement because almost all of the text that it copied from *Big League Sales* was of "short phrases, titles, unprotected methods or procedures, or concepts that Dane admittedly took from others."¹¹² However, the court held that, although Dane used some uncopyrightable short phrases, his " 'sequence of thoughts, choice of words, emphasis, and arrangement' "

¹⁰⁴ *Id.*

¹⁰⁵ *See id.* at 538.

¹⁰⁶ *Letterese*, 533 F.3d at 1303.

¹⁰⁷ *See id.*

¹⁰⁸ *Id.* at 1302-03.

¹⁰⁹ *Id.* at 1304 n.19 (quoting *Palmer v. Braun*, 287 F.3d 1325, 1330 (11th Cir. 2002)).

¹¹⁰ *Id.* at 1303.

¹¹¹ *Letterese*, 533 F.3d at 1304 n.19 (quoting *Palmer*, 287 F.3d at 1330).

¹¹² *Id.* at 1305.

were his expression and therefore copyrightable.¹¹³

The court relied on the holding of *Salinger v. Random House, Inc.*¹¹⁴ in making its decision.¹¹⁵ In *Salinger*, the defendant wrote a biography consisting of unpublished letters.¹¹⁶ The defendant argued that only a small amount of the copyrighted expression was copied.¹¹⁷ However, the court in *Salinger* held that when “the ‘association, presentation and combination of the ideas and thought’ ” make up the structure, the structure and presentation become the author’s expression and are protected.¹¹⁸

Thus, based on the holding in *Salinger*, the *Letterese* court reasoned that although Dane may have used text that originated from others, it was not determinative.¹¹⁹ However, the court did note that a relevant factor “for the purposes of copyright law is that an abstract idea is never eligible for copyright protection.”¹²⁰ While Dane could not protect the “underlying sales techniques,” he could protect the presentation of ideas and his choice of structure because, just like in *Salinger*, it became his original expression and was therefore protected.¹²¹

Determining whether a work is an idea or expression is often a blurry line.¹²² However, the more the work consists of similar plots and characters, the more likely the work will be deemed to be expression.¹²³ Therefore, even though the allegedly infringing text may have originally come from different authors or was in the public domain, it may nevertheless be infringing if the text is used or combined in the same manner or structure as was done by the original author.¹²⁴ When a work contains an amount of paraphrasing and virtually identical examples of another author’s work substantial enough to establish a “finding of literal similarity,” copyright has

¹¹³ *Id.* at 1306 (quoting *Salinger v. Random House, Inc.*, 811 F.2d 90, 98 (2d Cir. 1987)).

¹¹⁴ 811 F.2d 90 (2d Cir. 1987).

¹¹⁵ *Letterese*, 533 F.3d at 1306 (citing *Salinger*, 811 F.2d at 92).

¹¹⁶ *Id.*

¹¹⁷ *Id.*

¹¹⁸ *Id.* (quoting *Salinger*, 811 F.2d at 98).

¹¹⁹ *Id.* at 1305.

¹²⁰ *Letterese*, 533 F.3d at 1305 (emphasis omitted).

¹²¹ *Id.* at 1305-06.

¹²² *Suntrust*, 268 F.3d at 1266.

¹²³ *Id.* (citing NIMMER, *supra* note 54, § 2.12).

¹²⁴ See *Letterese*, 533 F.3d at 1306.

been infringed.¹²⁵

IV. ARE THE SCIENTOLOGY MATERIALS OR THE *LEXICON* DERIVATIVE WORKS?

As stated in Section 106(2) of the 1976 Copyright Act, the copyright holder's rights include the right to make derivative works.¹²⁶ The 1976 Copyright Act defines a derivative work as "a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted."¹²⁷ "A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a 'derivative work.'"¹²⁸ Therefore, the copyright holder is the only person who can decide if her book will become a movie or if a sequel will be created.¹²⁹

In determining whether the *Lexicon* was a derivative work with respect to Rowling's planned encyclopedia, the *Warner Bros.* court relied on two Second Circuit cases, *Twin Peaks* and *Castle Rock*, as well as one Seventh Circuit case, *Ty, Inc. v. Publications International Ltd.*¹³⁰

In *Twin Peaks*, the defendant wrote an unauthorized guide book based on the first season of a television show named "Twin Peaks."¹³¹ The guide book described the episodes, had additional commentary on the show and the actors, and included a trivia game.¹³² After finding that the two works were substantially similar, the Second Circuit next addressed the question of whether the guide book was a derivative work of the television show.¹³³ The court held

¹²⁵ *Id.* at 1304-05.

¹²⁶ 17 U.S.C.A. § 106(2).

¹²⁷ 17 U.S.C.A. § 101.

¹²⁸ *Id.*

¹²⁹ Lisa C. DeJaco, *What Use Is Fair? The Line Between Derivative Works and Transformative Use*, 55 FED. LAW. 14, 14 (2008).

¹³⁰ *See Warner Bros.*, 575 F. Supp. 2d at 538.

¹³¹ *Twin Peaks*, 996 F.2d at 1370.

¹³² *Id.*

¹³³ *Id.* at 1373.

that it was.¹³⁴ It reasoned that “[t]he [b]ook contain[ed] a substantial amount of material from the teleplays, transformed from one medium into another.”¹³⁵ The court additionally stated that, although

[t]he author of “Twin Peaks” cannot preserve for itself the entire field of publishable works that wish to cash in on the “Twin Peaks” phenomenon[,] . . . it may rightfully claim a favorable weighting of the fourth fair use factor with respect to a book that reports the plot in such extraordinary detail as to risk impairment of the market for the copyrighted works themselves or derivative works that the author is entitled to license.¹³⁶

The court noted that a market for derivative works may exist when an author would likely have an interest in entering the field herself; thus, the market for guidebooks such as *Twin Peaks* was dissimilar to a market for parodies, because “[c]opyright holders rarely write parodies of their own works.”¹³⁷ Moreover, a derivative market for *Twin Peaks* guidebooks was evidenced by the fact that the plaintiff had already granted licenses for two books and foresaw licensing more.¹³⁸

In *Castle Rock*, the Second Circuit addressed the question of whether “*The Seinfeld Aptitude Test*, a trivia quiz book devoted exclusively to testing its readers’ recollection of scenes and events from the fictional television series *Seinfeld*” infringed the copyright of *Seinfeld*, or whether it was a fair use.¹³⁹ Although the court did not address whether the trivia book constituted a derivative work, the court did hold that it would harm the author’s market for derivative works.¹⁴⁰ The court noted that the trivia book, referring to the *Seinfeld* show, used only *Seinfeld* facts.¹⁴¹ Furthermore, the court, similar to *Twin Peaks*, reasoned, the market for trivia books was unlike a market for parodies, which a copyright holder was unlikely to enter,

¹³⁴ *Id.*

¹³⁵ *Id.*

¹³⁶ *Twin Peaks*, 996 F.2d at 1377.

¹³⁷ *Id.*

¹³⁸ *Id.*

¹³⁹ *Castle Rock*, 150 F.3d at 135.

¹⁴⁰ *Id.* at 145.

¹⁴¹ *Id.* at 138-39.

but filled a niche that the copyright holder could conceivably fill or license to someone else to fill.¹⁴² The court further reasoned that even though *Seinfeld* had not expressed an interest in filling that niche, it was nevertheless the copyright holder's choice.¹⁴³

The Seventh Circuit has concluded that authors are free to write their evaluations on other pre-existing copyrighted works without constituting a derivative work.¹⁴⁴ In a case about beanie babies, *Ty, Inc.*, an author wrote a collector's guide for beanie babies, which are a brand of stuffed animals that the author did not create.¹⁴⁵ When *Ty, Inc.*, the makers of the beanie babies, claimed the guide was a derivative work, the court disagreed.¹⁴⁶ Although the court conceded that it "[could not] find a case on the point," it nevertheless held that collectors' guides are not derivative works, because they "don't recast, transform, or adapt the things to which they are guides."¹⁴⁷

The plaintiffs in *Warner Bros.* argued that based on *Twin Peaks*, companion guides can be considered derivative works if they contain a substantial amount of copyrighted material.¹⁴⁸ The *Warner Bros.* court claimed the argument was unpersuasive because it overlooked two differences in the current case.¹⁴⁹ First, the *Lexicon's* use of plot elements was far from an " 'elaborate recounting of plot details' " and it did not follow the same plot structure as the book.¹⁵⁰ On this point the court's logic seems inconsistent with the *Castle Rock* decision, which also relied on *Twin Peaks*. In *Castle Rock*, the facts copied were separate trivia questions, were far from recounting plot details, and were not in the same order as the television series; yet the court held it would harm the author's market for derivative works.¹⁵¹ However, the court held it was the author's choice to determine if she wanted to license out the right to create it as a deriva-

¹⁴² *Id.* at 145. ("Unlike parody, criticism, scholarship, news reporting, or other transformative uses, *The SAT* substitutes for a derivative market that a television program copyright owner such as *Castle Rock* 'would in general develop or license others to develop.' ") *Id.* (quoting *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 592 (1994)).

¹⁴³ *Castle Rock*, 150 F.3d at 145-46.

¹⁴⁴ *Ty, Inc. v. Publ'ns Int'l Ltd.*, 292 F.3d 512, 521 (7th Cir. 2002).

¹⁴⁵ *Id.* at 515.

¹⁴⁶ *Id.* at 518.

¹⁴⁷ *Id.* at 520.

¹⁴⁸ *Warner Bros.*, 575 F. Supp. 2d at 538-39.

¹⁴⁹ *Id.* at 539.

¹⁵⁰ *Id.* (quoting *Twin Peaks*, 996 F.2d at 1373).

¹⁵¹ *Castle Rock*, 150 F.3d at 145.

tive work.¹⁵² Although the court stated this while analyzing the fair use defense factors, by asserting that the trivia game would have interfered with the author's right to create a derivative work, the court is acknowledging that recounting plot details and presenting the details in the same order as the original author's work are not necessary elements for a work to be considered a derivative. Second, the *Warner Bros.* court said that where the *Twin Peaks* guide merely transformed an existing work from one media to another, here, the *Lexicon* did not recast, but "instead [gave] the copyrighted material another purpose."¹⁵³ The court analogized the *Lexicon* to the Ty, Inc. beanie baby guide and said both were not derivatives, because they gave readers an understanding of an existing work.¹⁵⁴ The court in *Warner Bros.* explained that the *Lexicon* could not be considered a derivative work because imparted a deeper understanding of the *Harry Potter* elements.¹⁵⁵ This, too, seems to be faulty logic. Although the *Twin Peaks* court did say "the Book contain[ed] a substantial amount of material from the teleplays, transformed from one medium into another," the infringing work also had additional commentary on the cast, the plots, and essential people involved in making the show, as well as answered questions that the show left unanswered.¹⁵⁶ The infringing book in *Twin Peaks* was, like the *Lexicon*, giving readers a deeper understanding of the author's original work; in fact, the infringing book in *Twin Peaks* went beyond the author's work and gave insight into how the show was made.¹⁵⁷ However, the *Warner Bros.* court applied its faulty logic and held that the *Lexicon* was dissimilar

¹⁵² *Id.* at 145-46.

¹⁵³ *Warner Bros.*, 575 F. Supp. 2d at 539.

¹⁵⁴ *Id.*

¹⁵⁵ *Id.*

¹⁵⁶ *Twin Peaks*, 996 F.2d at 1370.

¹⁵⁷ *Id.*

The 128-page book has seven chapters, dealing with, respectively, (1) the popularity of the show; (2) the characters and the actors who play them; (3) the plots of the eight episodes, some commentary on the plots, and "unanswered questions"; (4) David Lynch, the creator of the show; (5) Mark Frost, the producer of the show, and Snoqualmie, Washington, the location of the show; (6) the music of the show; and (7) trivia questions and quotations constituting the 'wit and wisdom of Agent Cooper,' one of the characters.

Id.

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to *Twin Peaks*.¹⁵⁸ Furthermore, the *Warner Bros.* court held that because the *Lexicon* pulled work from other sources, it no longer represented the original work of Rowling.¹⁵⁹ Thus, the court held that the *Lexicon* could not constitute a derivative work under 17 U.S.C.A. § 101.¹⁶⁰

This decision seems inconsistent with the Supreme Court's decision in *Campbell*.¹⁶¹ Although the Court in *Campbell* did not determine whether 2 Live Crew's song constituted a derivative work, while analyzing the factor for potential market harm, the Court made it clear that a work containing a transformative element, even when it substantially changes the original author's work, can still be considered a derivative.¹⁶² If the Supreme Court believed that works were derivatives only when the defendant's work was introduced directly into the plaintiff's underlying work, it would not have explored whether a song categorized by the Court as a 'ballad' had a market for derivative works in the rap field.¹⁶³ Once the court found the rap song was a parody, it no longer represented the author's original work; it was transformative.¹⁶⁴ However, the Court in *Campbell* did not stop there; instead, the Court stated that "[t]he market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop."¹⁶⁵ Therefore, the Court acknowledged that it must look to the "harm of market substitution."¹⁶⁶ Although this analysis was done under the fair use discussion, the Court is implicitly stating that derivative works include works that expand beyond the scope of the original author's work, as long as it could be categorized as a type of work "that creators of original works would in general develop or license others to develop."¹⁶⁷

"[L]icensing of derivatives is an important economic incen-

¹⁵⁸ *Warner Bros.*, 575 F. Supp. 2d at 539.

¹⁵⁹ *Id.*

¹⁶⁰ *Id.*

¹⁶¹ See generally *Campbell*, 510 U.S. 569.

¹⁶² *Id.* at 590.

¹⁶³ *Id.*

¹⁶⁴ *Id.* at 581-82.

¹⁶⁵ *Id.* at 592.

¹⁶⁶ *Campbell*, 510 U.S. at 593.

¹⁶⁷ *Id.* at 590-93.

tive to the creation of originals.”¹⁶⁸ In *Campbell*, the Supreme Court determined that there was an existing market for rap and then said the appropriate question was whether the alleged infringement interfered with the plaintiff’s reasonable chance to enter that market or license out the right to someone else for that market.¹⁶⁹ If it did, the Court concluded, the infringing work acted as a substitute and could, therefore, be a derivative work.¹⁷⁰ Thus, although the Supreme Court discussed this aspect under its market harm analysis, it nevertheless recognized that a work could be considered a derivative even if it consisted of more than the original author’s work. In fact, applying the Supreme Court’s analysis, the relevant inquiry to determine whether the *Lexicon* constituted a derivative work would be whether a market for a *Harry Potter* encyclopedia existed, and if it did, the allegedly infringing work could constitute a derivative work.¹⁷¹ It seems that that the collector’s book in *Ty, Inc.*, consisting of color pictures of the copyrighted collector items, and the *Lexicon* encyclopedia, consisting of material from a copyrighted book series, both fall into that category. Thus, the decisions in *Warner Bros.* and *Ty, Inc.* do not appear to be consistent with *Campbell*.

In *Letterese*, the court stated that a “derivative work [must] ‘recast, transform[], or adapt[]’ ” the preexisting work, and, “ ‘as a whole, represent [the] original work of authorship.’ ”¹⁷² PL&A argued that the infringing works of both CSI and WISE constituted derivative works, because the defendants used the drill sheets and checksheets in a similar way to the *Mirage Editions v. Albuquerque A.R.T.* case.¹⁷³ In *Mirage*, the Ninth Circuit held that a piece of artwork cut out and pasted to a tile constituted a derivative work.¹⁷⁴ The court in *Mirage* reasoned that, although the purchaser may have a right to sell his copy of the work, once he “remov[ed] the . . . images from the book and plac[ed] them on the tiles . . . [he] ha[d] certainly

¹⁶⁸ *Id.*; see also 17 U.S.C.A. § 106(2) (stating that a copyright owner also has the right to “prepare derivative works”).

¹⁶⁹ *Campbell*, 510 U.S. at 589-93.

¹⁷⁰ *Id.* at 593.

¹⁷¹ *Id.*

¹⁷² *Letterese*, 533 F.3d at 1299-1300 (quoting 17 U.S.C.A. § 101).

¹⁷³ *Id.* (citing *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341 (9th Cir. 1988)).

¹⁷⁴ *Mirage*, 856 F.2d at 1344.

recast or transformed [the work] . . . by incorporating them.”¹⁷⁵ Furthermore, the court in *Mirage* held that, because Congress had intended derivative work violations to occur when a defendant “ ‘incorporate[s] a portion of the copyrighted work in some form,’ ” the defendant had, in fact, recast the work as prohibited by the statute.¹⁷⁶

The Eleventh Circuit, in *Letterese*, was not persuaded and stated that *Mirage* was decided incorrectly.¹⁷⁷ It reasoned that, even if it chose to follow the Ninth Circuit’s rationale, the two cases were completely dissimilar.¹⁷⁸ Where the *Mirage* case was on the outer limits and dealt with exact copies, here, the defendants did not photocopy.¹⁷⁹ The lithograms in *Mirage* were not transformed in the slightest and, in the case at bar, the defendants had entirely different materials, which used the drill sheets and checksheets in conjunction with lawfully acquired copies of the original book.¹⁸⁰ The court pointed out that the *Mirage* case has been frowned upon by many circuits because it did not take into account the possibility of “ ‘recast[ing], transform[ing], or adapt[ing] the preexisting work.’ ”¹⁸¹

The court in *Letterese*, looked to 17 U.S.C.A. § 101, and found “the book [was] not a part of defendants’ courses in the sense that the checksheets, drill sheets, and book ‘as a whole, represent[ed] an original work of authorship.’ ”¹⁸² The court in *Letterese* found the logic the Seventh Circuit applied in *Lee* to be more sound than that of the Ninth Circuit in *Mirage*.¹⁸³ In *Lee*, the court found that when an original work is unchanged yet affixed to a new work, it is not a derivative.¹⁸⁴ The original work had remained untouched and, because it had not been “recast, transformed, or adapted,” it had not violated the copyright holder’s protection.¹⁸⁵

The *Letterese* Court held that the scientology materials did

¹⁷⁵ *Id.*

¹⁷⁶ *Id.* (quoting 1976 U.S. Code Cong. & Admin. News 5659, 5675).

¹⁷⁷ *Letterese*, 533 F.3d at 1299.

¹⁷⁸ *Id.* at 1300.

¹⁷⁹ *Id.*

¹⁸⁰ *Id.*

¹⁸¹ *Id.*

¹⁸² *Letterese*, 533 F.3d at 1300 (citing 17 U.S.C.A. § 101).

¹⁸³ *Id.* (citing *Lee v. A.R.T. Co.*, 125 F.3d 580 (7th Cir. 1997)).

¹⁸⁴ *Lee*, 125 F.3d at 581.

¹⁸⁵ *Id.* at 582.

not constitute derivative works.¹⁸⁶ The court reasoned that “PL&A’s argument reduce[d] simply to the flightless claim that selling the course materials (specifically, selling the checksheets and drill sheets to be used with lawfully acquired copies of the book) facilitates a ‘remounting’ of *Big League Sales*.”¹⁸⁷

V. BUT WAS THERE INFRINGEMENT? THE FAIR USE DEFENSE

The analysis for copyright infringement does not end simply because a *prima facie* case has been established.¹⁸⁸ The next part of the inquiry is whether the infringer has a valid defense. In both cases, the defendants asserted the fair use defense.¹⁸⁹ The fair use defense is designed to “fulfill copyright’s very purpose, ‘to promote the Progress of Science and useful Arts.’ ”¹⁹⁰ It is usually asserted “for purposes such as criticism, comment, news reporting, teaching, . . . scholarship, or research.”¹⁹¹ “The ultimate test of fair use, therefore, is whether the copyright law’s goal of ‘promoting the Progress of Science and useful Arts’ . . . ‘would be better served by allowing the use than by preventing it.’ ”¹⁹² Thus, under 17 U.S.C.A. § 107, an unauthorized work may not be deemed to be infringing if it satisfies the elements of the fair use defense.¹⁹³

In *Campbell*, the Supreme Court faced the question of whether a rap group under the moniker 2 Live Crew, who used the work of another artist, Roy Orbison, in producing a parody could be a fair use under Section 107 of the Copyright Act.¹⁹⁴ The Court noted that there was enough substantial similarity between the two works to constitute a *prima facie* case of infringement, and, depending on the application of the fair use factors, the defendant’s infringement may be actionable.¹⁹⁵ The Court stated that 2 Live Crew had created a pa-

¹⁸⁶ *Letterese*, 533 F.3d at 1300.

¹⁸⁷ *Id.*

¹⁸⁸ *Warner Bros.*, 575 F. Supp. 2d at 538.

¹⁸⁹ *See id.* at 539; *Letterese*, 533 F.3d at 1298.

¹⁹⁰ *Campbell*, 510 U.S. at 575 (quoting U.S. CONST., art. I, § 8, cl. 8).

¹⁹¹ 17 U.S.C.A. § 107 (West 2009).

¹⁹² *Castle Rock*, 150 F.3d at 141 (quoting U.S. CONST., art. I, § 8, cl. 8; *Arica Inst., Inc. v. Palmer*, 970 F.2d 1067, 1077 (2d Cir. 1992)); *see also* 17 U.S.C.A. § 107.

¹⁹³ 17 U.S.C.A. § 107.

¹⁹⁴ *Campbell*, 510 U.S. at 571-72.

¹⁹⁵ *Id.* at 572. (acknowledging that a *prima facie* case of infringement exists).

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rody, which is a form of criticism entitled to the defense.¹⁹⁶ The fact that the song was a parody did not end the analysis of fair use, but began the application of the fair use factors to determine if the original artist's copyright had indeed been infringed.¹⁹⁷

The fair use defense requires the analysis of four factors: "the purpose and character of the use"; "the nature of the copyrighted work"; "the amount and substantiality of the portion [taken]"; and "the effect of the use upon the potential market."¹⁹⁸

A. The Purpose and Character of the Use

The first factor, purpose and character of the use, is a question of "whether the use is non-commercial or for non-profit educational purposes and whether the use is consumptive or transformative."¹⁹⁹ To determine if the work is transformative, a court determines if it adds value to the original.²⁰⁰ Although all four factors are considered, the more transformative the work is, the less significant the other factors will be.²⁰¹ To be transformative, the "new work [must] take[] copyrighted elements and say[] something new about them."²⁰² New authors are prevented from creating sequels; however, if the alleged infringing work adds a significant amount of new expression, it may be considered to be so different from the original that it is transformative, and this factor may tip in the defendant's direction.²⁰³ This is illustrated by *Suntrust Bank v. Houghton Mifflin Co.*, a case discussed by the Eleventh Circuit.²⁰⁴

In *Suntrust*, an author created a book using the same characters as "Gone with the Wind."²⁰⁵ The alleged infringing book was

¹⁹⁶ *Id.* at 583, 594 ("[T]his joinder of reference and ridicule that marks off the author's choice of parody from the other types of comment and criticism that traditionally have had a claim to fair use protection as transformative works.").

¹⁹⁷ *Id.* at 574.

¹⁹⁸ 17 U.S.C.A. § 107.

¹⁹⁹ Karen S. Frank, *Fair Use: The Changing Balance*, in PRACTISING LAW INSTITUTE, PATENTS, COPYRIGHTS, TRADEMARKS, AND LITERARY PROPERTY COURSE HANDBOOK SERIES PLI ORDER NO. 17006 473 (2008).

²⁰⁰ *Campbell*, 510 U.S. at 579.

²⁰¹ *Id.*

²⁰² DeJaco, *supra* note 124, at 15.

²⁰³ *Id.* at 14.

²⁰⁴ 268 F.3d 1257 (11th Cir. 2001).

²⁰⁵ *Id.* at 1259.

written from a different perspective—from the slave’s point of view.²⁰⁶ The court said that, although it was necessary to rely on “Gone with the Wind,” the second book was from an entirely different viewpoint and contained enough new expression to be considered transformative; as a result, the scales tipped in the defendant’s favor.²⁰⁷ In contrast, when a defendant simply copies the original author’s expression, it is unlikely that a court will make a finding that the work is transformative. In *Castle Rock*, the Second Circuit held that copying fictional facts from a television show to create a game, which is based on that show, falls short of being transformative.²⁰⁸ The court rejected the defendant’s assertion of the fair use defense and disagreed with the claim that the infringing work transformed the *Seinfeld* television series into an unauthorized trivia book of *Seinfeld* facts.²⁰⁹

The Court in *Campbell* held that the infringing rap song was a parody.²¹⁰ The Court reasoned that, since a parody is criticism of the author’s original work, it has transformative value.²¹¹ The petitioner argued that any parodic use should be presumed fair.²¹² However, the Court held that a work may have both parodic and non-parodic uses.²¹³ Thus, when the work goes beyond parody, a court must look “to the work’s other elements.”²¹⁴ In addition, the Court stated that although 2 Live Crew’s song had commercial value, that was only one part of the first factor and was not determinative.²¹⁵

Applying the transformative analysis to the *Warner Bros.* case, the court held that the alleged infringing work did add value.²¹⁶ It reasoned that since the *Lexicon* was a reference guide for *Harry Potter* readers, it “demonstrate[d] a productive use for a different purpose than the original works.”²¹⁷ Unlike *Castle Rock* and *Twin*

²⁰⁶ *Id.* at 1267.

²⁰⁷ *Id.* at 1269.

²⁰⁸ *Castle Rock*, 150 F.3d at 141.

²⁰⁹ *Id.*

²¹⁰ *Campbell*, 510 U.S. at 583.

²¹¹ *Id.*

²¹² *Id.* at 581.

²¹³ *Id.*

²¹⁴ *Id.* at 571.

²¹⁵ *Campbell*, 510 U.S. at 584.

²¹⁶ *Warner Bros.*, 575 F. Supp. 2d at 543.

²¹⁷ *Id.* at 542.

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Peaks, the court stated, the *Lexicon* was not just an abridged version of the original work.²¹⁸ Despite the plaintiff's claim that the second work was not transformative because there was no analysis or commentary, the court said that "is not determinative of whether or not its purpose is transformative."²¹⁹ Instead, the court must look at the chief contribution.²²⁰ Here, although there was a contribution, "[t]he transformative character . . . [was] diminished . . . because the . . . work[] [was] not consistently transformative."²²¹ The defendant argued that the purpose of the book was transformative because it was a useful reference to the *Harry Potter* books.²²² However, the court found the transformative purpose was not achieved because the *Lexicon* often did not cite sources and the excessive verbatim copying exceeded what was "reasonably necessary [and] diminishe[d] a finding of a transformative use."²²³ Therefore, the *Lexicon*'s transformative purpose as a useful reference was not achieved.²²⁴

The court found that although the commercial/nonprofit inquiry is a fundamental aspect under this factor, because the case at hand involved profit, it was not of significant importance.²²⁵ Instead, the court determined "[t]he real concern behind the commercial nature inquiry is 'the unfairness that arises when a secondary user makes unauthorized use of copyrighted material to capture significant revenues as a direct consequence of copying original work.'"²²⁶ This is more likely to be found if the work is for the public good, but because here there is a commercial nature, the court determined it "only weigh[ed] slightly against a finding of fair use."²²⁷

Applying this factor to *Letterese*, the court first addressed the question of whether the work was educational or commercial.²²⁸ The court held that although the work had educational aspects, the defen-

²¹⁸ *Id.* at 538.

²¹⁹ *Id.* at 543.

²²⁰ *Id.*

²²¹ *Warner Bros.*, 575 F. Supp. 2d at 544.

²²² *Id.* at 542-44.

²²³ *Id.* at 544.

²²⁴ *Id.*

²²⁵ *Id.* at 545.

²²⁶ *Warner Bros.*, 575 F. Supp. 2d at 545. (quoting *Blanch v. Koons*, 467 F.3d 244, 253 (2d Cir. 2006)).

²²⁷ *Id.*

²²⁸ *Letterese*, 533 F.3d at 1309.

dants, nevertheless, were in a position to profit commercially.²²⁹ WISE charged seventy-five dollars per course pack, and CSI obtained a promissory note in the event that the course was not completed.²³⁰ Therefore, the sale of defendants' work produced commercial profit.²³¹

In determining the purpose and character of the use, the *Letterese* court stated that the proper question was whether the work was transformative or superseding.²³² If the work was transformative, as in *Suntrust*, where the second book inverted the race roles portrayed in the original, then the factor would more likely benefit the defendant.²³³ However, if the work had some original aspects but merely superseded the original by fulfilling the same " 'overall function,' " the plaintiffs would have the stronger argument.²³⁴

The court determined, in *Letterese*, that although the two works were in different formats and the second work had additional tools, they both used the same instructional techniques on how to close a deal, and, therefore, fulfilled the same educational purpose.²³⁵ Because the educational character had not changed, the second work merely emphasized the original, but did not transform "the overall purpose and function of the book."²³⁶ Thus, this factor favored PL&A.²³⁷

B. Nature of the Copyrighted Work

This factor looks at the " 'hierarchy of copyright protections.' "²³⁸ The "law . . . recognizes a greater need to disseminate factual works than works of fiction or fantasy."²³⁹ The appropriate question to consider is whether the original work is creative and high-

²²⁹ *Id.* at 1310.

²³⁰ *Id.*

²³¹ *Id.*

²³² *Id.* at 1309.

²³³ *Letterese*, 533 F.3d at 1310-12.

²³⁴ *Id.* at 1310-11 (quoting *Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Coop Prods., Inc.*, 479 F. Supp. 351, 361 (N.D. Ga. 1979)).

²³⁵ *Id.* at 1311.

²³⁶ *Id.*

²³⁷ *Id.* at 1312.

²³⁸ *Letterese*, 533 F.3d at 1312 (quoting *Suntrust Bank*, 268 F.3d at 1271).

²³⁹ *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 563 (1985).

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ly protected or factual and less protected.²⁴⁰

In *Campbell*, the Court stated that some works are “closer to the core of intended copyright protection than others.”²⁴¹ The Court further stated that Orbison’s original song had creative expression, which was protected.²⁴² However, the Court found that applying this factor to the case was not very helpful, because parodies almost always copy the expressive work.²⁴³

In *Warner Bros.*, the court concluded that the *Harry Potter* works were fictional works and, as a result, were afforded a high level of protection.²⁴⁴ Thus, the balance of this factor was tipped in the plaintiff’s direction.²⁴⁵

In contrast, the court in *Letterese* found the *Big League Sales* book fell under the category of factual works.²⁴⁶ Although the court noted the book had some fanciful elements, there were not enough to result in the higher level of protection granted to fictional works.²⁴⁷ The court further noted that the status of the work—whether published or unpublished and in print or withdrawn—also afforded different levels of protection.²⁴⁸ Although the sales book was out of print, it was entitled to the fair use defense because it was intentionally withdrawn as part of the author’s strategy.²⁴⁹ Thus, the court in *Letterese* concluded this factor was neutral to both parties.²⁵⁰

C. Amount of Work Used

The third factor is “the amount and substantiality of the portion used in relation to the copyrighted work as a whole.”²⁵¹ This factor asks the question “whether the amount used, even if small, con-

²⁴⁰ *Warner Bros.*, 575 F. Supp. 2d at 549 (citing *Harper & Row*, 471 U.S. at 563; *Castle Rock*, 150 F.3d at 144; *Twin Peaks*, 996 F.2d at 1376; *Ty, Inc.*, 333 F. Supp. 2d at 713).

²⁴¹ *Campbell*, 510 U.S. at 586 (citing *Stewart v. Abend*, 495 U.S. 207, 237-38 (1990)).

²⁴² *Id.*

²⁴³ *Id.*

²⁴⁴ *Warner Bros.*, 575 F. Supp. 2d at 549.

²⁴⁵ *Id.*

²⁴⁶ *Letterese*, 533 F.3d at 1312.

²⁴⁷ *Id.*

²⁴⁸ *Id.* at 1313.

²⁴⁹ *Id.*

²⁵⁰ *Id.* at 1314.

²⁵¹ 17 U.S.C.A. § 107.

sists of the essence of the protected work.”²⁵²

In *Campbell*, the Court analyzed the quantitative and qualitative aspects.²⁵³ The Court stated that with a parody there is a need to copy the heart of the work and take enough of the original work to make “its critical wit recognizable.”²⁵⁴ The Court also stated the context of the copying must be analyzed.²⁵⁵ In *Campbell*, there were additional sounds and new lyrics.²⁵⁶ Therefore, the Court found that 2 Live Crew did not take more than what was needed.²⁵⁷

Applying this analysis to *Warner Bros.*, the plaintiffs “argue[d] . . . that the Lexicon takes too much original expression . . . to be fair use.”²⁵⁸ However, the question is “whether the amount and value of Plaintiffs’ original expression used are reasonable in relation to the *Lexicon*’s transformative purpose.”²⁵⁹ Answering this question, the court said the defendants did take more than was reasonable.²⁶⁰ The heaviest factor weighing against the defendant was the “verbatim copying and close paraphrasing of language from the *Harry Potter* works.”²⁶¹

When the text that is copied is central to the entertainment factor, even small amounts can be considered too much.²⁶² In *Craft v. Kobler*, the court found that three percent exceeded a reasonable limit because it was the “most entertaining part.”²⁶³ And in *Salinger*, the court held that the “copier [was] not entitled to copy the vividness of author’s description for the sake of accura[cy].”²⁶⁴ Moreover, the amount of copied text needed to constitute infringement may be satisfied by a lesser requirement in the case of a fictional work as opposed to a factual work.²⁶⁵ As a result, because the *Harry Potter* series is under the umbrella of creative works, the plaintiffs were entitled to

²⁵² Frank, *supra* note 199, at 474.

²⁵³ *Campbell*, 510 U.S. at 587.

²⁵⁴ *Id.* at 588.

²⁵⁵ *Id.* at 589.

²⁵⁶ *Id.*

²⁵⁷ *Id.*

²⁵⁸ *Warner Bros.*, 575 F. Supp. 2d at 546.

²⁵⁹ *Id.*

²⁶⁰ *Id.*

²⁶¹ *Id.* at 547.

²⁶² *Id.*

²⁶³ 667 F. Supp. 120, 129 (S.D.N.Y. 1987).

²⁶⁴ *Warner Bros.*, 575 F. Supp. 2d at 547 (citing *Salinger*, 811 F.2d at 96).

²⁶⁵ *Id.* at 549.

more weight under this factor.²⁶⁶

In analyzing *Letterese*, the court used the same test as in *Warner Bros.* and stated that the amount of work used must be reasonable “in light of the purpose and character of the use.”²⁶⁷ The court reasoned that the assessment is to be based on “‘the portion used’ . . . with respect to the ‘copyrighted work as a whole,’ not to the putatively infringing work.”²⁶⁸ In determining “the amount and substantiality of portion used,” the court, relying on *Campbell*, noted that both quality and quantity must be evaluated.²⁶⁹ If verbatim copying—which captures the essence of the book—is found, even if it is small quantitatively, it may be deemed to have qualitative significance and result in favor of the plaintiff.²⁷⁰

The court in *Letterese* found that “the incorporation of the sales drills, . . . explanations of the sales techniques,” and organizational aspects of the defendants’ copying may be substantial enough to reduce the demand for plaintiff’s derivative works.²⁷¹ Therefore, this factor was found to favor PL&A.

D. Effect of Market Harm

The fourth factor determines “the effect of the use upon the potential market for” the underlying works.²⁷² To determine the effect, a court examines whether the alleged infringer’s work could have a “‘substantially adverse impact on the potential market for . . . the original.’ ”²⁷³

Although the Court in *Campbell* analyzed all four factors of the fair use defense, particularly relevant to the analysis of *Warner Bros.* is its discussion pertaining to the fourth factor.²⁷⁴ The Court stated that the harm a parody may cause the market is not actionable under copyright, because that may be the exact goal of the parody.²⁷⁵

²⁶⁶ *Id.*

²⁶⁷ *Letterese*, 533 F.3d at 1314 (citing *Campbell*, 510 U.S. at 586-87).

²⁶⁸ *Id.* at 1314-15.

²⁶⁹ *Id.* at 1315 (quoting *Campbell*, 510 U.S. at 587).

²⁷⁰ *Id.*

²⁷¹ *Id.*

²⁷² 17 U.S.C.A. § 107(4).

²⁷³ *Ringgold*, 126 F.3d at 81 (quoting *Campbell*, 510 U.S. at 590).

²⁷⁴ *Campbell*, 510 U.S. at 590.

²⁷⁵ *Id.* at 591-92.

Furthermore, the Court stated it is unlikely a plaintiff will license critical reviews; therefore, since there is no market for an author's critical reviews of her own work, this factor will tip in the defendant's favor when the alleged infringing work is merely a critical review of the author's work.²⁷⁶ However, the Court went on to say that when the case goes beyond the purpose recognized by the fair use defense, it must look "to the other elements of the work."²⁷⁷ Since 2 Live Crew's song was not just a parody, but also rap music, "the derivative market for rap music is a proper . . . enquiry."²⁷⁸

Similarly, in *Ringgold*, the court stated that if the author can demonstrate there is a likelihood of a potential market to license her work, the balance of this factor will weigh in her favor.²⁷⁹ Relying on *Nimmer on Copyright*, the court in *Ringgold* pointed out that the claimant is not required to prove damages in relation to her current market, but that it may negatively impact possible sales in a future market.²⁸⁰

Applying the fourth factor, the court in *Warner Bros.* determined that if the defendants were permitted to publish the *Lexicon*, it could have an adverse impact on Rowling's future market.²⁸¹ Although it would not have an adverse impact on her current novels, it could prevent fans from purchasing companion books because most of the text would be printed in the *Lexicon*.²⁸² Furthermore, the court found that because the *Lexicon* would be printing plaintiff's material without obtaining a license, plaintiff's market to license out the same material would be weakened.²⁸³ Although the court found that the balance of the fourth factor weighed in plaintiff's favor, it nonetheless did not agree with all of the plaintiff's arguments.

The court determined that even though the *Lexicon* would be in direct competition with an encyclopedia that Rowling was planning on creating, it was not of consequence under the market harm

²⁷⁶ *Id.* at 592.

²⁷⁷ *Id.*

²⁷⁸ *Id.* at 592-93.

²⁷⁹ *Ringgold*, 126 F.3d at 81.

²⁸⁰ *Id.*; see also *Campbell*, 510 U.S. at 590 (quoting *NIMMER*, *supra* note 50, § 13.05[A][4]).

²⁸¹ *Warner Bros.*, 575 F. Supp. 2d at 549.

²⁸² *Id.* at 550.

²⁸³ *Id.* at 551.

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factor.²⁸⁴ The court, relying on *Twin Peaks*, stated that because the *Lexicon* is not a derivative work, plaintiff can not prevent defendant from entering that market.²⁸⁵ In *Twin Peaks*, the court held “[t]he author of ‘Twin Peaks’ cannot preserve for itself the entire field of publishable works that wish to cash in on the ‘Twin Peaks’ phenomenon.”²⁸⁶ Relying on *Twin Peaks*, the court in *Warner Bros.* stated that “‘by developing or licensing a market for parody, news reporting, educational or other transformative uses of its own creative work, a copyrighted owner plainly cannot prevent others from entering those fair use markets.’”²⁸⁷ Similarly, the court in *Ty, Inc.*, held that the market harm did not weigh against a defendant who wrote an unauthorized collector’s book for items that he did not create.²⁸⁸ Although *Warner Bros.* places support of its decision on the *Ty, Inc.* decision, it is arguably inconsistent with the Supreme Court’s decision in *Campbell*. The Court stated that when the case goes beyond the purpose recognized by the fair use defense, it must look “to the other elements of the work.”²⁸⁹ Since the 2 Live Crew song was not just a parody, but also rap music, “the derivative market for rap music [was the] proper . . . enquiry.”²⁹⁰

In comparing the fourth factor of the fair use analysis, *Warner Bros.*, as well as *Ty, Inc.*, on which it relied, once again seems at odds with the *Campbell* decision. The finding of the *Warner Bros.* court that “the market for reference guides to the *Harry Potter* works [was] not exclusively [Rowling’s] to exploit or license, no matter the commercial success attributable to the popularity of the original works,” is simply inconsistent with the *Campbell* case.²⁹¹ Although the Supreme Court said Orbison had never entered the rap sector, it continued its analysis.²⁹² It held that the existing market for rap music was the proper inquiry.²⁹³ If the alleged infringement acted as a substitute and interfered with Orbison’s reasonable chance to enter that market,

²⁸⁴ *Id.* at 550.

²⁸⁵ *Id.*

²⁸⁶ *Twin Peaks*, 996 F.2d at 1377.

²⁸⁷ *Warner Bros.*, F. Supp. 2d at 550 (quoting *Castle Rock*, 150 F.3d at 145 n.11).

²⁸⁸ *Ty, Inc.*, 292 F.3d at 522.

²⁸⁹ *Campbell*, 510 U.S. at 592.

²⁹⁰ *Id.* at 592-93.

²⁹¹ *Warner Bros.*, F. Supp. 2d at 550.

²⁹² *Campbell*, 510 U.S. at 593 (noting the paradoxical nature of the song).

²⁹³ *Id.*

directly or by licensing, then it would cause market harm.²⁹⁴

In both cases, *Warner Bros.* and *Ty, Inc.*, the alleged infringing work would have been a substitute for a work that the plaintiff could have reasonably created or licensed. Although pure comment on the subject may not tip the factor of market harm in favor of the plaintiff, when coupling the text with pictures of copyrighted items, as occurred in *Ty, Inc.*, it could act as a substitute for a collector's book that the copyright holder may wish to sell. In essence, the infringing work would act as a substitute and the holder would lose the advantage of his copyrighted work. Similarly, the *Lexicon* was not just commentary but an encyclopedia painting pictures with Rowling's copyrighted words. If the *Lexicon* had entered the market, it would act as a substitute to an encyclopedia that Rowling could have produced, for which a market not only existed, but that Rowling had already expressed an intention of entering.²⁹⁵ Just as in *Ty, Inc.*, Rowling would lose the advantage of her copyrighted protection and her incentive to create would be reduced.²⁹⁶

Therefore, the court's determination that the *Lexicon*'s adverse impact on Rowling's own encyclopedia sales could not constitute market harm under the fair use analysis is inconsistent with *Campbell*. It is also inconsistent with the copyright law because it diminishes the "important economic incentive" for the original creator.²⁹⁷ Even if the "overriding purpose and character is" one which is recognized by the fair use defense, it may still cause cognizable harm, especially if there is a large amount of copying.²⁹⁸ In the *Warner Bros.* case, although the purpose of the *Lexicon* may have been transformative, the transformative content was slight in relation to the quantity of the copying, and as the Court in *Campbell* stated, it could cause cognizable harm.²⁹⁹ Hence, the *Lexicon* acted as a substitute for a work Rowling could have licensed. Therefore, with regard to the *Lexicon*'s harming Rowling's opportunity to enter the market for *Harry Potter* encyclopedias, the fourth factor should have tipped even further in the plaintiff's favor.

²⁹⁴ *Id.*

²⁹⁵ *Warner Bros.*, 575 F. Supp. 2d at 519.

²⁹⁶ *Id.* at 552.

²⁹⁷ *Campbell*, 510 U.S. at 593.

²⁹⁸ *Id.* at 588.

²⁹⁹ *Id.* at 591 (citing *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 451 (1984)).

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In contrast to *Warner Bros.*, the court in *Letterese* accurately applied the reasoning set forth in *Campbell*, and stated that under the fourth factor “the adverse effect [is] . . . primarily concerned [with] market substitution.”³⁰⁰ While complementary materials may be deemed a fair use, “ ‘copying that is a substitute for the copyrighted work . . . or for derivative works from the copyrighted work, is not fair use.’ ”³⁰¹

The court in *Letterese* noted, with respect to WISE, that there was a potential for adverse market harm because WISE captured “the heart” of the book’s expression by using “the selection and structure of sales techniques and distinctive descriptions thereof[, and] may well usurp the potential for ‘*Big League Sales*’ and derivative works.”³⁰² However, with regard to CSI, the court determined that market harm would not occur.³⁰³ The court reasoned that all versions bear the “imprimatur of Hubbard’s pen [Therefore], PL&A’s derivative works would not be market substitutes for CSI’s courses, and vice versa.”³⁰⁴ Additionally, the court reasoned that because the only harm that fair use is concerned with is market substitution for derivative works, when analyzing the CSI claim, this factor strongly favors the defendants.³⁰⁵ Consistent with the *Campbell* decision, the court in *Letterese* stated that, even though no current market for *Big League Sales* or for its derivative works existed, market harm may still occur.³⁰⁶ The court stated that “the relevant consideration [is] the ‘potential market.’ ”³⁰⁷

In contrast, the *Warner Bros.* court stated that “because a reference guide to the *Harry Potter* works is not a derivative work; competing with Rowling’s planned encyclopedia is therefore permissible.”³⁰⁸ The *Warner Bros.* court relied on the *Twin Peaks* decision, which stated that “ ‘by developing or licensing a market for parody, news reporting, educational or other transformative uses of its

³⁰⁰ *Letterese*, 533 F.3d at 1315.

³⁰¹ *Id.* at 1315-16 n.31 (quoting *Ty, Inc.*, 292 F.3d at 517).

³⁰² *Id.* at 1318.

³⁰³ *Id.* at 1319.

³⁰⁴ *Id.* at 1318-19.

³⁰⁵ *Letterese*, 533 F.3d at 1319.

³⁰⁶ *Id.* at 1317.

³⁰⁷ *Id.* (citing *Worldwide Church of God v. Philadelphia Church of God*, 227 F.3d 1110, 1119 (9th Cir. 2000) (quoting *Salinger*, 811 F.2d at 99)).

³⁰⁸ *Warner Bros.*, 575 F. Supp. 2d at 550.

own creative work, a copyrighted owner plainly cannot prevent others from entering those fair use markets.’”³⁰⁹ However, the *Warner Bros.* court failed to mention that *Twin Peaks* also stated, “[i]n the cases where we have found the fourth factor to favor a defendant, the defendant’s work filled a market niche that the plaintiff simply had no interest in occupying.”³¹⁰ Additionally, although the *Twin Peaks* court stated that an author may not “preserve for itself the entire field of publishable works,” the court followed up the sentence by saying, “[b]ut it may rightfully claim a favorable weighting of the fourth fair use factor with respect to a book that . . . risk[s] impairment of the market for the copyrighted works themselves or derivative works that the author is entitled to license.”³¹¹ In the *Warner Bros.* case, Rowling was planning to enter the niche of encyclopedias, and, as Rowling’s expert testified, the sale of the *Lexicon* would impair her *Harry Potter* encyclopedia sales.³¹² Therefore, the *Warner Bros.* court should have tipped the “favorable weighting of the fourth fair use factor” even further in the direction of the plaintiffs.³¹³

VI. CONCLUSION

A. Were the Cases Decided Correctly?

The substantially similar test, applied by both the Eleventh Circuit and the Second Circuit, seems to work well at determining if two works are, indeed, substantially similar. In fact, it takes into account both fictional and fact-based works. The test analyzes the alleged infringing work based on the overall structure and similarities in language; therefore, regardless of the type of text that the original work was comprised of, the amount of substantially similar work can be determined. The difference in the amount of weight that the court placed on the structure in the *Letterese* case, as opposed to the focus on the similarities of the text in the *Warner Bros.* case, is evidence of the flexibility of the test.

³⁰⁹ *Id.* (quoting *Castle Rock*, 150 F.3d at 145 n.11).

³¹⁰ *Twin Peaks*, 996 F.2d at 1377.

³¹¹ *Id.*

³¹² *Warner Bros.*, 575 F. Supp. 2d at 549.

³¹³ *Twin Peaks*, 996 F.2d at 1377.

Beyond the determination of whether the works were substantially similar, the two cases seemed to be analyzed quite differently. First, the court in *Warner Bros.* approached the issue of whether the infringing work constituted a derivative work differently than the court in *Letterese* did. Second, each court evaluated the harm to the market factor under fair use differently.

In discussing the derivative aspect, the *Letterese* Court noted that PL&A's argument was not that it transformed but remounted, and, therefore, the court held it did not fall under the definition of a derivative work under § 101.³¹⁴ In contrast, the plaintiffs in *Warner Bros.* argued "that based on the *Twin Peaks* decision companion guides constitute derivative works where, as is the case here, they 'contain a substantial amount of material from the underlying work.'"³¹⁵ Unfortunately, as discussed above, the court in *Warner Bros.* relied on *Ty, Inc.*, which was arguably decided incorrectly, and held that the *Lexicon* did not constitute a derivative work.³¹⁶

In analyzing the market harm factor under the fair use defense, the *Letterese* court correctly analyzed the market harm for future derivatives. However, the *Warner Bros.* court erroneously found that the impact of the *Lexicon* on Rowling's future encyclopedia sales was irrelevant under the market harm analysis. Therefore, although the *Letterese* case was decided correctly, the *Warner Bros.* case was not.

B. How Should the Current Tests Change?

1. Market Harm Analysis

To resolve inconsistencies with the circuits' approaches in determining the market harm factor analysis, a simple two-prong test should be applied: first, is there a market, either current or potential, for the defendant's alleged infringing work; second, could the alleged infringing work act as a substitute for a work plaintiff could reasonably license out or fulfill herself?

Applying this test to *Warner Bros.*, there is not only a market

³¹⁴ *Letterese*, 533 F.3d at 1299-1300 (citing *Mirage*, 856 F.2d at 1342).

³¹⁵ *Warner Bros.*, 575 F. Supp. 2d at 539 (citations omitted).

³¹⁶ *Id.* See discussion *infra* Part IV.

for encyclopedias corresponding to the *Harry Potter* series, but one that Rowling had already expressed intention of entering. Next, because the *Lexicon* used Rowling's essence by taking her expression, the *Lexicon* would be a substitute for plaintiff's work. Rowling would lose the advantage of her copyrighted work and the two works would be on an even ground. Therefore, applying this test, the fourth factor would have tipped in favor of the plaintiffs, even if only a potential market for *Harry Potter* encyclopedias existed, because it was the copyright holder's choice to enter that market or license the right out to another party.

2. *Derivative Works Analysis*

The court in *Warner Bros.* held that collectors' guides were not derivative works because they did not "recast, transform, or adapt the things to which they are guides."³¹⁷ However, this test only partially encompasses the text of 17 U.S.C.A. § 101. Section 101 also says, "A work consisting of . . . modifications which, as a whole, represent an original work of authorship, is a 'derivative work.'"³¹⁸ The *Lexicon* used Rowling's words to paint pictures, and the entire purpose of the *Lexicon* was to give readers a deeper understanding of Rowling's work; therefore, similar to a sequel, although it has additional elements beyond the original work, the *Lexicon* still, "as a whole," represented Rowling's work. To limit the derivative test as *Warner Bros.* did, ignores the fact that § 101 is speaking about works "based upon [a] . . . preexisting work[]" and misses the point of why the copyright law protects derivative works.³¹⁹ The right was given to authors "because the licensing of derivatives is an important economic incentive to the creation of originals."³²⁰ In fact, the *Warner Bros.* court's rationale overlooks the scenario that occurs when two works have been found to be substantially similar: although the infringing work may not "recast, transform, or adapt the things to which they are guides,"³²¹ it nevertheless would not exist but for the original work, and thus may represent the original creator's work.

³¹⁷ *Ty, Inc.*, 292 F.3d at 520.

³¹⁸ 17 U.S.C.A. § 101.

³¹⁹ *Id.*

³²⁰ *Campbell*, 510 U.S. at 593.

³²¹ *Warner Bros.*, 575 F. Supp. 2d at 539.

When this occurs, a new test should be applied, which more accurately reflects the goal of copyright as articulated by the Supreme Court in *Campbell*. If a finding of substantial similarity is found then a two prong test should occur: first, determine whether the second work captures an audience primarily due to the second author's use of the original copyrighted material; if so, the second step should be to determine if the original author would have any reasonable prospect of licensing out the right to create a work that fills the same niche as the alleged infringing work. If these prongs are answered in the affirmative, then the work constitutes a derivative. Thus, the same analysis used under the fourth prong of the fair use test, effect of market harm, should be incorporated into the test for determining if a work is a derivative.

Applying this new test to the *Warner Bros.* case would result in a holding that the *Lexicon* was a derivative work. After concluding that the works were substantially similar, the next question would be: does the second work capture an audience primarily due to the second author's use of the original copyrighted material? This answer would have to be yes. First, the encyclopedia would not exist unless Rowling's copyrighted novels first existed. Second, the elements described in the *Lexicon* would not have the same advantage in the market of one created by Rowling if it did not use her copyrighted detailed expressions.³²² The final inquiry is: could Rowling reasonably expect to license this right out or use it herself? Here, there is no room for doubt that she could have. She had already expressed her intentions to do so. Therefore, under this test, the *Lexicon* would be a derivative work.

C. Public Policy Furthered by the Tests

The central theme of copyright law is "[t]o promote the Progress of Science and useful Arts."³²³ The way the Second Circuit is currently applying the copyright law actually hinders the constitutional objective by limiting the exclusive rights granted to an author and thereby reducing the incentive for an author to create. It may even cause a new author to refrain from publishing. In the *Warner Bros.* case, Rowling said if the *Lexicon* was released, she would lose

³²² *Warner Bros.*, 575 F. Supp. 2d at 549.

³²³ U.S. CONST. art. I, § 8, cl. 8.

incentive to publish her own work.³²⁴ Furthermore, if it is easy for someone to copy an author's work, instead of providing an incentive for new original work, it can cause authors not to publish until each possible variation of the book has been released.

At first glance, it may seem like reducing the author's control of her derivative works would benefit the public by allowing more works to be created. It may also seem that by broadening the fair use analysis, more people can create works that would "promote the Progress of . . . useful Art."³²⁵ However, by allowing anyone to substantially copy from another's work and then enter the work into the market by simply stamping it with a transformative aspect, it would likely promote un-useful art production. This is inconsistent with the Court's reasoning in *Campbell*, which stated that when the "alleged infringer merely . . . [uses the work] to avoid the drudgery in working up something fresh, the claim to fairness in borrowing from another's work diminishes accordingly (if it does not vanish)."³²⁶

Additionally, in the *Campbell* concurrence, Justice Kennedy pointed out that it should not be easy for alleged infringers "to exploit existing works and then later claim that their rendition was a valuable commentary on the original."³²⁷ He further noted that "underprotection of copyright disserves the goals of copyright just as much as overprotection, by reducing the financial incentive to create."³²⁸

Although ultimately the Second Circuit decided the *Warner Bros.* case correctly, if its tests do not change, it will be easy for copiers to enter their 'art' into the public domain. Therefore, the goal of copyright law—to promote useful art—will not be achieved.

³²⁴ *Warner Bros.*, 575 F. Supp. 2d at 552.

³²⁵ U.S. CONST. art. I, § 8, cl. 8.

³²⁶ *Campbell*, 510 U.S. at 580.

³²⁷ *Id.* at 599 (Kennedy, J., concurring).

³²⁸ *Id.*