

COMPULSORY LICENSING AND CELL PHONE RINGTONES: THE PHONE IS RINGING, A COURT NEEDS TO ANSWER

I. INTRODUCTION

On October 4, 2006, lawyers from some of the most powerful organizations in the music industry gathered at the U.S. Copyright Office in the Library of Congress for oral arguments before representatives of the Register of Copyrights.¹ Attorneys representing the Recording Industry Association of America (“RIAA”),² EMI Music Publishing,³ the National Music Publishers’ Association (“NMPA”),⁴ the Songwriters Guild of America (“SGA”),⁵ and the Nashville Songwriters Association International (“NSAI”)⁶ assembled to argue one of the most hotly debated copyright issues facing the music industry. The final outcome of this legal issue will determine the allocation of millions of dollars in a four billion dollar specialty music market.⁷ What, you might ask, could create such a legal fight that music industry players cannot agree and are forced to petition the Register of Copyrights for an answer? None other than cell phone ringtones. Yes, those loud, annoying snippets of music that everyone seems to use these days have music industry power players up in arms.

Before a ringtone can find its way onto someone’s cell phone, the ringtone provider must license the copyright-protected music featured in the ringtone from whomever owns that copyright.⁸ For years, ringtone licenses were freely

1. Transcript of Oral Argument at 1, Mech. & Digital Phonorecord Delivery Rate Adjustment Proceeding, 71 Fed. Reg. 64,303 (U.S. Copyright Office Oct. 16, 2006) (No. RF 2006-1) [hereinafter Oral Argument].

2. The RIAA is a trade group that represents the U.S. recording industry. Members include recording companies and recording artists. Recording Industry Association of America, Who We Are, <http://www.riaa.com/aboutus.php> (last visited June 1, 2008).

3. EMI Music Publishing, a division of EMI Group, “is one of the world’s leading music publishers.” EMI Group, EMI Music Publishing, <http://www.emigroup.com/About/Overview/EMI+Music+Publishing.htm> (last visited June 1, 2008).

4. The NMPA is a music publishing trade organization representing over 700 music publishers. National Music Publishers’ Association, About NMPA, <http://www.nmpa.org/aboutnmpa/index.asp> (last visited June 1, 2008).

5. The SGA is an advocacy group for the legal rights of songwriters. Songwriters Guild of America, About Us, <http://www.songwritersguild.com/history.htm> (last visited June 1, 2008).

6. The NSAI is a not-for-profit trade organization for songwriters. Nashville Songwriters Association International, FAQ for Non-Members on NSAI, <http://www.nashvillesongwriters.com/news.php?viewStory=215> (last visited June 1, 2008).

7. See *infra* Part II.D.4 for the financial status of the ringtone market.

8. See *infra* Part II.A for an explanation of music copyrights and why ringtone providers need to license the material they use.

negotiated between copyright owners and ringtone providers.⁹ Recently, however, changes in ringtone technology and the ringtone market have put a crunch on the profit margins of ringtone providers, and, as a result, providers have begun to look for new ways to decrease costs and increase profits.¹⁰ The argument that copyright licensing for ringtones should not be freely negotiated but rather should be facilitated through the compulsory licensing statute in section 115 has emerged as one such cost-cutting strategy.¹¹ Section 115 requires copyright owners to license musical compositions under certain limited circumstances at a set statutory rate,¹² currently only \$0.091,¹³ that is much lower than the freely negotiated rates. As could be expected, copyright owners strongly opposed this change, and the debate ultimately ended up in front of the Register of Copyrights.

After reviewing briefs submitted by lawyers on both sides of the dispute and listening to an oral argument that included the playing of music by Beyoncé, Gwen Stefani, and Pretty Ricky¹⁴—not typical fare for the Library of Congress—the Register of Copyrights issued her decision on October 16, 2006,¹⁵ finding that the compulsory license provision of section 115 covers ringtones.¹⁶ Music publishers instantly disagreed with the ruling and refused to follow it.¹⁷ Additional litigation on the subject seems imminent because the Register's decision is not binding on courts and music publishers have already claimed to be exploring their legal options.¹⁸

This Comment explores the law behind the growing debate over whether cell phone ringtones are subject to compulsory licensing under section 115 of the Copyright Act¹⁹ and evaluates the Register's decision. Part II presents an overview of the relevant copyright law, the structure of the music industry, the history of ringtones and the technology behind them, and the details of the Register's October 16, 2006 decision. Part III applies the relevant copyright law to ringtones and concludes that, contrary to the Register's decisions, they should not be subject to compulsory licensing. Part III also examines the likely negative effects of the Register's decision on the music industry and proposes that when a

9. See *infra* Part II.D.2 for a discussion of early licensing deals.

10. See *infra* Parts II.D.3-4 for a discussion of these market changes.

11. 17 U.S.C.A. § 115 (West 2005 & Supp. 2007). See *infra* Part II.D.4 for a discussion of ringtone providers' new strategy to use section 115.

12. 17 U.S.C.A. § 115.

13. U.S. COPYRIGHT OFFICE, THE COPYRIGHT ROYALTY RATES: SECTION 115, THE MECHANICAL LICENSE (2006), available at <http://www.copyright.gov/carp/m200a.pdf>.

14. Oral Argument, *supra* note 1, at 15, 18.

15. Mech. & Digital Phonorecord Delivery Rate Adjustment Proceeding, 71 Fed. Reg. 64,303 (U.S. Copyright Office Oct. 16, 2006) [hereinafter Memorandum Opinion].

16. *Id.*

17. See *infra* Part II.E.3 for a discussion of the industry response to the Register's decision.

18. See Harry Fox Agency, HFA Statement on Register of Copyrights Administrative Ruling on Ringtones & Mastertones (Oct. 18, 2006), available at http://www.harryfox.com/docs/HFA_Ringtone_Statement.pdf ("Acting in conjunction with NMPA, HFA is currently evaluating legal options with respect to the Register's decision.")

19. 17 U.S.C.A. § 115 (West 2005 & Supp. 2007).

judicial ruling on compulsory licensing of ringtones is sought, the best response will be a bright-line rule against the application of section 115 to ringtones. Part III then examines the benefits of such a bright-line rule and provides multiple potential legal bases on which such a rule could be based. Last, Part IV concludes that a judicial ruling creating a bright-line rule against the application of compulsory licensing to ringtones is necessary to bring efficiency to the ringtone licensing process.

II. OVERVIEW OF RELEVANT COPYRIGHT LAW AND EXPLANATION OF THE RINGTONE DEBATE

A. *Copyright Protection of Musical Compositions*

1. Origin of Copyright Protection

The protection offered to artists by federal copyright law has been an essential part of the United States' legal system since the birth of our nation. The Constitution granted Congress the power to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."²⁰ Congress quickly passed the first Copyright Act in 1790,²¹ and since that time artists have been vested with exclusive property rights in their original works.²² The first copyright statute granted "the author and authors of any map, chart, book or books" the exclusive rights of "printing, reprinting, publishing and vending such map, chart, book or books" for a term of fourteen years.²³ In 1831, amendments to the Copyright Act of 1790 extended copyright protection to musical compositions.²⁴ Over time, amendments to the Copyright Act have further expanded the subject matter of copyright protection and granted broader property rights to copyright owners for longer time periods.²⁵ Under the current version of the Copyright Act,²⁶ the property rights granted to copyright owners, often described as the "bundle" of rights, include the exclusive rights to reproduce and distribute the

20. U.S. CONST. art. I, § 8, cl. 8.

21. Act of May 31, 1790, ch. 15, 1 Stat. 124 (repealed 1802).

22. See 17 U.S.C. § 102 (2000) (granting copyright protection to "original works of authorship fixed in any tangible medium of expression," including literary, musical, dramatic, choreographic, pictorial, graphic, sculptural, audiovisual, and architectural works as well as pantomimes, motion pictures, and sound recordings).

23. Act of May 31, 1790, ch. 15, § 1, 1 Stat. at 124.

24. Act of Feb. 3, 1831, ch. 16, § 1, 4 Stat. 436, 436 (repealed 1834).

25. See, e.g., Copyright Act of 1909, ch. 320, § 24, 35 Stat. 1075, 1080-81 (repealed 1978) (extending duration of copyright protection from fourteen years to twenty-eight years); Act of Mar. 3, 1865, ch. 126, § 1, 13 Stat. 540, 540 (repealed 1870) (granting copyright protection to photographs and photographic negatives); Act of Apr. 18, 1856, ch. 169, 11 Stat. 138, 138-39 (repealed 1870) (granting exclusive public performance rights to authors of dramatic works).

26. The current version of the Copyright Act is codified at 17 U.S.C.A. §§ 101-1332 (West 2005 & Supp. 2007).

copyrighted work and to perform the work publicly.²⁷ Each of these rights can be separately sold, licensed, or transferred.²⁸ Copyright owners are granted these exclusive monopolies over their works for a term of the author's life plus seventy years.²⁹

Copyright law embodies an essential tension between competing policy goals that Congress seeks to balance through its copyright legislation.³⁰ In *Twentieth Century Music Corp. v. Aiken*,³¹ the Supreme Court recognized the conflicting public policies behind copyright protection of, on one hand, granting property rights to copyright owners in their works as an incentive for them to create more works of art for the public to experience and, on the other hand, limiting those rights to promote broad public access to artistic works for public enjoyment and use in new works.³² Therefore, the granting of the "bundle of rights" to an author is balanced by statutory restrictions on the author's ability to limit public access.³³ An example of such a limitation, which applies exclusively to musical works, is the compulsory license provision of section 115, which allows anyone to reproduce and distribute reproductions of a musical composition without permission of the copyright owner as long as the owner has already

27. See 17 U.S.C. § 106 (2000 & Supp. IV 2004) (granting six exclusive rights to copyright holders). The exclusive rights granted by section 106 are the rights:

- (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.

28. See 17 U.S.C. § 201(d) (2000) ("The ownership of a copyright may be transferred in whole or in part."); RICHARD SCHULENBERG, *LEGAL ASPECTS OF THE MUSIC INDUSTRY* 445 (Robert Nirkind & Sylvia Warren eds., 1999) (explaining that rights granted by section 106 can be "divided up into as many parts as the copyright owner may desire" and that "[e]ach of the 'parts' may be owned and protected separately").

29. 17 U.S.C. § 302(a). This duration applies only to those works created on or after January 1, 1978. *Id.* Works created before that date may be subject to different durations under the terms of prior copyright acts.

30. See *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (recognizing that limited scope of copyright holder's right and limited duration of those rights represent intentional balancing).

31. 422 U.S. 151 (1975).

32. *Aiken*, 422 U.S. at 156; see also *Feist Publ'ns, Inc. v. Rural Tel. Serv., Co.*, 499 U.S. 340, 349-50 (1991) (describing contradictory goals of copyright protection).

33. See, e.g., 17 U.S.C. § 107 (outlining fair use exception to copyright under which copyrighted work may be used without license from copyright owner in certain situations such as for scholarship, criticism, or news reporting).

published the work once and the licensee pays a statutory royalty.³⁴ By carefully balancing the rights granted and denied to owners of copyrights in musical works, Congress created a copyright law that has allowed the development of a music industry that both enables artists to earn a living from their musical creations and allows the public access to a wide array of musical works.

2. Two Layers of Copyright in Musical Works

Within a recording of a song, the Copyright Act protects two separate and distinct copyrights.³⁵ First, there is the copyright in the musical composition, which consists of the lyrics and music.³⁶ This copyright originally subsists with the songwriter but usually is transferred, at least partially, to a music publishing company that will promote the song and calculate and collect royalties on the songwriter's behalf.³⁷ The publishing company earns its revenue by taking a commission on the royalties collected.³⁸ The second copyright subsists in the actual sound recording of the song.³⁹ This copyright subsists with the authors of the sounds in the sound recording, which usually includes musicians and producers.⁴⁰ Pursuant to recording and producing contracts, the copyright in a sound recording usually is transferred to the record company that pays for the artist to record the song and distributes the recorded track.⁴¹ For example, consider the recently popular single, "Ain't No Other Man," by Christina Aguilera.⁴² According to the U.S. Copyright Office's database, the musical composition copyright in the words and lyrics was originally granted to the authors, Aguilera, Kara DioGuardi, Chris E. Martin, and Charles Roane, and was transferred to and is currently owned by BMG Music Publishing Company.⁴³ RCA Records, Aguilera's record label, owns the copyright in the sound recording of the song as well as all of the other songs on the album *Back to Basics*.⁴⁴

34. See 17 U.S.C.A. § 115 (West 2005 & Supp. 2007) (outlining under what conditions copyright holder in musical composition must grant license to reproduce and distribute that composition).

35. See BRIAN WESLEY PETERS, *MUSIC BUSINESS* 101, at 108-09 (Gail M. Kearns ed., 2005) (explaining two copyrights in recorded track and using table to present who owns which copyright).

36. *Id.*

37. *Id.*

38. See *id.* (explaining how agency hired to collect royalties takes percentage of such royalties as commission).

39. *Id.*

40. PETERS, *supra* note 35, at 108-09.

41. *Id.* If the recording is considered a "work made for hire," as many recordings are pursuant to recording contracts, the record company will be considered the author of the sound recording from the beginning and no transfer will be needed. See 17 U.S.C. § 201(b) (2000) (declaring that when work is "for hire," "the employer or other person for whom work was prepared is considered the author for purposes of this title").

42. CHRISTINA AGUILERA, *Ain't No Other Man*, on *BACK TO BASICS* (RCA Records 2006).

43. U.S. Copyright Office, Search Copyright Records, <http://www.copyright.gov/records/cohm.html> (search online records catalog by title for "Ain't No Other Man," then select appropriate check box) (last visited June 1, 2008).

44. *Id.*

These separate copyrights do not grant the same rights to their respective owners. A copyright in a musical composition carries with it the exclusive rights enumerated in section 106(1)-(5).⁴⁵ These include the rights to reproduce the work, distribute the work, publicly display the work, publicly perform the work, and create derivative works based on the work.⁴⁶ The last exclusive right listed in section 106(6) is expressly limited to sound recordings and thus does not apply to any other type of copyrighted work.⁴⁷ While the copyright in a sound recording receives the extra exclusive right under section 106(6) “to perform the copyrighted work publicly by means of a digital audio transmission,”⁴⁸ the remaining rights in a sound recording are limited by the exclusions in section 114.⁴⁹ Under section 114(a), the exclusive rights of public display or performance do not apply to sound recordings.⁵⁰ Additionally, section 114(b) limits the extent to which the rights retained in the sound recording copyright can be infringed.⁵¹ Copyrights in sound recordings can only be infringed when reproduction, distribution, or derivative work production makes use of the “actual sounds fixed in the recording.”⁵² Sound-alike recordings, even if intentionally recorded to mimic the original, do not infringe as long as they do not use the original recording.⁵³ This protection is comparatively weaker than the protection afforded to copyrights in musical compositions, which can be infringed by works that sound “substantially similar” to the composition even if not the same note-for-note or word-for-word.⁵⁴

45. See 17 U.S.C. § 106 (2000 & Supp. IV 2004) (listing six exclusive rights granted by copyright, the last of which applies only to sound recordings).

46. *Id.*

47. See *id.* § 106(6) (“[I]n the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.”).

48. *Id.*

49. See 17 U.S.C.A. § 114 (West 2005 & Supp. 2007) (limiting scope of exclusive rights in sound recordings).

50. See 17 U.S.C.A. § 114(a) (declaring that sound recordings are only entitled to exclusive rights in clauses (1), (2), (3), and (6) of section 106, explicitly excluding public performance and display rights in clauses (4) and (5)). For example, playing a CD in public would infringe the public performance and display rights of the owner of the copyright in the underlying musical composition but would not infringe any exclusive rights of the owner of the copyright in the sound recording. Thus, the right to perform or display a song publicly must be licensed from the copyright owner of the musical compositions but not the owner of the copyright in the sound recording. It is next to impossible to track every public performance of a song, and, therefore, performance rights are granted to venues where public performances take place (like concert venues) under a blanket license. Under the blanket license scheme, a venue pays a flat, yearly fee to a Performing Rights Organization (“PRO”) that distributes the fees to its members based on the popularity of their songs during a given time period. SCHULENBERG, *supra* note 28, at 366. The three main PROs in the United States are the American Society of Composers, Authors and Publishers (“ASCAP”), Broadcast Music, Inc. (“BMI”), and SESAC. *Id.* Almost every musical composer is a member of one of the three organizations. *Id.*

51. 17 U.S.C.A. § 114(b).

52. *Id.*

53. SCHULENBERG, *supra* note 28, at 452.

54. See *id.* at 440-42 (discussing tendency of courts to find copyright infringement whenever enough similarities exist between two works).

For licensing purposes, if someone wants to use a sound recording of a track in a commercial, for example, he or she must obtain the copyright clearance of both the owner of the copyright in the musical composition (songwriter or publisher) and the owner of the copyright in the sound recording (record company), because both copyrighted works are being used.⁵⁵ If someone wants to create a new version of the musical composition, however, the individual only needs the clearance of the owner of the copyright in the musical composition because no sound recording is being used (a new one is being created).⁵⁶ In such a situation, the owner of a copyright in a sound recording has no control over subsequent recordings of the same song if the owners of the musical composition copyright authorize those recordings.⁵⁷

3. The Music Industry

Copyright law has played a vital role in the development of the music industry. Without the protections of copyright, artists and record labels would have no ability to collect revenues for their recordings and compositions. The recording industry today is a very concentrated market. Thanks to a flurry of recent mergers and buyouts, the market is now dominated by what are known as the “Big Four” record labels.⁵⁸ These labels are Universal Music Group,⁵⁹ Sony BMG Music Entertainment,⁶⁰ EMI Group,⁶¹ and Warner Music Group.⁶² Together, these four labels control approximately eighty-five percent of the U.S. recording industry.⁶³ With revenue streams from CD sales and digital music sales, the value of the recording industry exceeds \$12 billion.⁶⁴ In such a concentrated market the four major labels can wield substantial bargaining

55. PETERS, *supra* note 35, at 108-09.

56. *See id.* (distinguishing song ownership from ownership of recorded performance).

57. *Id.* For example, in 1981 Joan Jett recorded a famous version of the song “I Love Rock ‘N Roll,” originally recorded by the Arrows in 1975. Cover vs. Original, I Love Rock n Roll: Joan Jett vs. The Arrows, <http://www.cover-vs-original.com/song-25.html> (last visited June 1, 2008). In 2001, Britney Spears released a recording of the same song. BRITNEY SPEARS, *I Love Rock ‘N’ Roll*, on BRITNEY (Jive Records 2001). As long as Britney Spears properly licensed the rights to use the musical composition, Joan Jett (or her record label, which likely owns the copyright in the sound recording) could not prevent her from recording the song.

58. Bill Lamb, Top 4 Major Pop Record Labels, <http://top40.about.com/od/popmusic101/tp/majorlabels.htm> (last visited June 1, 2008).

59. Universal Music Group represented about 25.5% of the recording market in 2005, with artists such as Mariah Carey and Gwen Stefani on its roster. *Id.*

60. Sony BMG Music Entertainment represents about 21.5% of the recording market, with artists such as Kelly Clarkson and Britney Spears on its roster. *Id.*

61. EMI Group represents about 13.4% of the recording market, with artists such as the Rolling Stones and Coldplay on its roster. *Id.*

62. Warner Music Group represents about 11.3% of the recording market, with artists such as Green Day and Madonna on its roster. *Id.*

63. Lamb, *supra* note 58.

64. *See* Recording Industry Association of America., RIAA Issues 2005 Year-End Shipment Numbers (Mar. 31, 2006), available at http://www.riaa.com/news_room.php (follow “2006” hyperlink; then follow “March” hyperlink; then follow “March 31, 2006” hyperlink) (reporting 2005 year-end value of industry as \$12.27 billion).

power against artists, consumers, and even Congress.⁶⁵ The trade group RIAA represents these labels collectively.⁶⁶

B. Compulsory Licensing of Musical Compositions—17 U.S.C. § 115

1. History

The compulsory licensing provision embodied in section 115 of the Copyright Act of 1909⁶⁷ has been one of the most important and instrumental copyright provisions in the history of the music industry and also represents one of the biggest exceptions to the exclusive rights of copyright holders in the entire Copyright Act.⁶⁸ Prior to 1909, however, no compulsory license provision existed, and musical composition copyright owners enjoyed the same rights⁶⁹ as other copyright holders in deciding if, when, for how much, and to whom they wanted to license their copyrighted work.⁷⁰ Traditionally, the works were licensed to companies who published sheet music, and the negotiated royalties paid by these companies represented a lucrative source of income for copyright holders. These freedoms for music composers changed, however, in the early 1900s with the invention of a new device that made use of musical compositions in a way not contemplated by copyright law at the time. The new device was the piano roll, a perforated sheet that, when inserted in a player piano, allowed the piano to play a musical composition.⁷¹ Manufacturers of piano rolls did not secure licenses from the musical composition copyright holders and, consequently, were sued for copyright infringement.⁷² In the landmark decision *White-Smith Music Publishing Co. v. Apollo Co.*,⁷³ the Supreme Court held that such mechanical reproductions of a musical composition did not constitute “copies” under the pre-1909 Copyright Act because, unlike sheet music, they

65. See Ryan C. Grelecki, Comment, *Can Law and Economics Bring the Funk . . . or Efficiency?: A Law and Economics Analysis of Digital Sampling*, 33 FLA. ST. U. L. REV. 297, 315 (2005) (describing how record companies enjoy limited monopoly powers and “flex their muscles” against songwriters and artists); see also Ankur Srivastava, *The Anti-Competitive Music Industry and the Case for Compulsory Licensing in the Digital Distribution of Music*, 22 TOURO L. REV. 375, 400-01 (2006) (explaining how major labels control market price of music by tacitly agreeing not to lower prices). See *infra* Part II.B.2 for a discussion of how the record labels and RIAA exercised their lobby powers to influence Congress’s amendments to the 1909 Copyright Act.

66. See *supra* note 2 for background on the RIAA.

67. 17 U.S.C. § 115 (2000).

68. See SCHULENBERG, *supra* note 28, at 453 (calling compulsory licenses “granddaddy exception” to author’s control of his copyrighted work and noting its importance to music industry).

69. Prior to the Copyright Act of 1909, these rights included the rights of “printing, reprinting, publishing, completing, copying, executing, finishing and vending.” *White-Smith Music Publ’g Co. v. Apollo Co.*, 209 U.S. 1, 9 (1908).

70. See *Apollo Co.*, 209 U.S. at 15 (acknowledging that musical compositions have been subject to protections of copyright law since 1831).

71. See *id.* at 10 (describing piano rolls and their manufacture).

72. See, e.g., *id.* at 9 (describing copyright violation claim brought against manufacturer of player pianos).

73. 209 U.S. 1 (1908).

were not “written or printed record[s] of [the composition] in intelligible notation.”⁷⁴ The Court found that the Copyright Act did not grant any right to control mechanical reproductions, and, therefore, the piano roll manufacturers could not be held liable for infringement.⁷⁵ The Court acknowledged the potential unfairness of this ruling but declared in dicta that the authority to amend the copyright statute rested only with Congress.⁷⁶

Congress heard the Court’s call and acted quickly to extend the rights of musical composition copyright holders. The Copyright Act of 1909 granted copyright holders the exclusive right to control mechanical reproductions of their musical compositions.⁷⁷ The right, although exclusive, was not unconditional. In drafting the new legislation, Congress considered the monopolistic conditions developing in the music industry at the time.⁷⁸ While the Supreme Court deliberated *Apollo*, many music publishers assumed that the decision would favor an exclusive right to control mechanical reproductions and, thus, granted licenses, pending the positive outcome of the case, to the Aeolian Company, a manufacturer of piano rolls.⁷⁹ Fearing a grant of monopoly power to the Aeolian Company,⁸⁰ Congress made the mechanical license compulsory, requiring that “as a condition of extending the copyright control to such mechanical reproductions,” once a copyright owner uses, permits, or knowingly acquiesces in the use of the copyright for a mechanical reproduction “any other person may make similar use of the copyrighted work upon the payment to the copyright proprietor of a royalty of two cents on each such part manufactured.”⁸¹ Consequently, once the copyright holder allowed one mechanical reproduction of a musical composition, anyone else could use the composition upon payment of the statutory fee. The Copyright Act of 1909 did not include any provision for raising the royalty.⁸²

74. *Apollo Co.*, 209 U.S. at 17 (quoting Copyright Act current at time).

75. *Id.* at 18.

76. *See id.* (acknowledging that ruling “enables the manufacturers thereof to enjoy the use of musical compositions for which they pay no value” and that “such considerations properly address themselves to the legislative, and not to the judicial, branch”).

77. *See* Copyright Act of 1909, ch. 320, § 1(e), 35 Stat. 1075, 1075, *repealed by* 17 U.S.C. § 115 (2000) (granting copyright holders right to “make any arrangement or setting of [the composition] or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced”).

78. SUBCOMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS OF THE COMM. ON THE JUDICIARY, 86TH CONG., COPYRIGHT LAW REVISION, STUDY NO. 5: THE COMPULSORY LICENSE PROVISIONS OF THE U.S. COPYRIGHT LAW 3 (Comm. Print 1956) (by Harry G. Henn), *reprinted in* 1 OMNIBUS COPYRIGHT REVISION LEGISLATIVE HISTORY: COPYRIGHT LAW REVISION STUDIES 1-19 1960 (George S. Grossman ed., 2001).

79. *See id.* at 3 n.20 (noting that in exchange for pursuing litigation up to Supreme Court, numerous music publishers granted Aeolian Company “exclusive long-term license agreements to manufacture perforated music rolls”).

80. *See* SCHULENBERG, *supra* note 28, at 453 (explaining that Congress used section 115 to break potential monopoly on piano rolls and that this desire to eliminate monopolies was part of President Theodore Roosevelt’s “trust-busting” policy).

81. Copyright Act of 1909, ch. 320, § 1(e), 35 Stat. at 1076.

82. There have always been lingering questions about the constitutionality of the compulsory

2. Major Amendments

Congress did not make any amendments to the compulsory license provision of the Copyright Act of 1909, with all of its ambiguities and its two-cent royalty rate, until 1976.⁸³ In the interim, numerous bills to amend the provision were introduced, but none successfully.⁸⁴ Most of the bills called for repealing or limiting the compulsory license in favor of the composer's right to control use of his musical composition.⁸⁵ With the 1976 amendments, Congress undertook a major overhaul of the 1909 Copyright Act and specifically made significant changes to the compulsory license.⁸⁶ In its consideration of the compulsory license provision, which began in 1961, Congress again looked to the market conditions in the music industry and noted that the industry was thriving and the monopolistic threat of 1909 was no longer present.⁸⁷ Thus, debates ensued over whether the compulsory license provision should be repealed as no longer necessary.⁸⁸ By that time, however, record companies dominated the music market and compulsory licensing kept the costs of record production low, an advantage they did not want to give up.⁸⁹ Although the Register of Copyrights and numerous artist advocacy groups recommended repealing the compulsory license, the strong lobbying power of the recording industry,⁹⁰ represented by the RIAA, shifted the focus of Congress's inquiry from whether to keep compulsory licensing to how much the royalty rate should be.⁹¹

license. Theresa M. Bevilacqua, Note, *Time to Say Good-Bye to Madonna's American Pie: Why Mechanical Compulsory Licensing Should Be Put to Rest*, 19 CARDOZO ARTS & ENT. L.J. 285, 293 (2001). It has been argued, although never in court, that the compulsory license is unconstitutional because it is contrary to the constitutional grant to copyright owners of "exclusive rights" in their works. *Id.* at 293-94; *see also* U.S. CONST. art. I, § 8, cl. 8 (granting exclusive rights to authors and inventors in their writings and discoveries).

83. *See* Bevilacqua, *supra* note 82, at 291 (discussing 1976 revisions to 1909 Copyright Act). In addition to lacking a provision for increasing the royalty rate, the 1909 Copyright Act was considered poorly drafted and created judicial confusion. Notably, it seemed that under the 1909 Copyright Act "bootlegging," or copying a sound recording, was allowed as a "similar use." *Id.* at 290. Indeed, copyright scholar Professor David Nimmer believed that the Act permitted bootlegging. *Id.* at 291 n.37. The uncertainty as to bootlegging was resolved in Congress's later amendments of the Act. *See id.* (stating that Copyright Act of 1976 resolved ambiguity of "similar use" language and specifically barred bootlegging).

84. *Id.* at 292.

85. Bevilacqua, *supra* note 82, at 292.

86. *See infra* notes 92-107 and accompanying text detailing the changes made to the compulsory licensing provision now codified as section 115.

87. STAFF OF H. COMM. ON THE JUDICIARY, 87TH CONG., REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 33 (Comm. Print 1961) [hereinafter REGISTER'S REPORT].

88. *Id.* at 33-35.

89. *See id.* (describing recording industry's opposition to change in compulsory licensing statute).

90. Bevilacqua, *supra* note 82, at 298.

91. *See* H.R. REP. NO. 94-1476, at 107 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5722 (concluding that compulsory licensing is still warranted but recognizing that system is unfair to copyright owners and statutory rate is too low).

The 1976 amendments to the Copyright Act clarified many of the ambiguities of the 1909 Act. First, they specified that a musical composition would not be subject to compulsory licensing until it was distributed to the public rather than when first used mechanically by the owner.⁹² Second, Congress added the requirement that the person seeking the compulsory license must have a primary purpose of distributing the phonorecords to the public for “private use.”⁹³ Congress included this requirement to prevent use of the compulsory license for phonorecords intended for commercial use, such as for jukeboxes and background music services.⁹⁴ Third, the amendments placed express limitations on the use of a compulsory license for “bootlegging,” or duplicating the sound recording made by another, permitting it only when the licensee also obtains a license from the owner of the copyright in the sound recording.⁹⁵

Next, Congress clarified what liberties a person with a compulsory license may take when reproducing the musical composition. Congress amended section 115 to provide that while the licensee is granted the privilege of making his or her own arrangement of the musical composition to conform it to his or her own style or interpretation, that arrangement cannot “change the basic melody or fundamental character or the work.”⁹⁶ Congress added this limitation to prevent the composition from being “perverted, distorted, or travestied.”⁹⁷ The administrative process of obtaining a compulsory license also changed, requiring that notice of “intention to obtain a compulsory license” be served on the copyright holder within thirty days of the making of any phonorecords and before the distribution of any phonorecords.⁹⁸ Failure to comply with the notice requirement would result in the loss of the opportunity to obtain a compulsory license.⁹⁹ Finally, the 1976 amendment raised the statutory royalty rate for a

92. See 17 U.S.C. § 115(a)(1) (2000) (making compulsory licensing available once “phonorecords of a nondramatic musical work have been distributed to the public in the United States under the authority of the copyright owner”).

93. See *id.* (specifying that person will only be granted compulsory license if “his or her primary purpose in making phonorecords is to distribute them to the public for private use”); see also H.R. REP. NO. 90-83, at 68 (1967) (explaining that Register’s suggestion of phrase “private home use” was rejected because Congress feared that it might block use of compulsory licenses for tapes made for private use in cars, for which it wanted compulsory licenses to be available); STAFF OF H. COMM. ON THE JUDICIARY, 89TH CONG., SUPPLEMENTARY REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW: 1965 REVISION BILL 55 (Comm. Print 1965) [hereinafter REGISTER’S SUPPLEMENTAL REPORT] (explaining that compulsory license was meant only to apply to records distributed for use in private homes and recommending that statute be clarified by changing language to read “private home use”).

94. H.R. REP. NO. 94-1476, at 108.

95. See 17 U.S.C. § 115(a)(1) (clarifying that compulsory license cannot be obtained for duplicating sound recording of another unless recording was made lawfully and license is procured from owner of copyright in sound recording).

96. *Id.* § 115(a)(2).

97. H.R. REP. NO. 94-1476, at 109.

98. 17 U.S.C. § 115(b)(1).

99. *Id.* § 115(b)(2). As a result, the licensee would have to negotiate a license with the copyright holder, which he or she was not required to grant at all, without the statutory royalty ceiling.

compulsory license from \$0.02 to \$0.0275.¹⁰⁰ Congress did not leave this rate to stay, however, and created the Copyright Royalty Commission to periodically review and recalculate the statutory rate.¹⁰¹

The next major amendment¹⁰² to section 115 came when Congress passed the Digital Performance Right in Sound Recording Act of 1995 (“DPRSA”).¹⁰³ The DPRSA amended section 115 to include digital phonorecord deliveries (“DPDs”), defined as an “individual delivery of a phonorecord by digital transmission of a sound recording which results in a specifically identifiable reproduction.”¹⁰⁴ Again responding to changes in the music market, Congress added DPDs to the compulsory license scheme in response to the rise of digital musical sales. Like piano rolls in 1908, the 1976 Copyright Act was not tailored to cover this new technology. Congress intended to make it clear that these new digital formats were not outside the scope of the mechanical reproduction rights of copyright holders.¹⁰⁵ Under section 115, as amended in 1995, digital downloads and performances of musical compositions were subject to compulsory licensing.¹⁰⁶ Since 1995, only minor changes have been made to section 115, none substantially affecting the compulsory license.¹⁰⁷

C. *Derivative Works*

1. Definition and General Exclusion from Section 115

A compulsory license granted under section 115 does not grant the licensee all of the copyright holder’s exclusive rights under section 106.¹⁰⁸ Section 115 expressly states that only “the exclusive rights provided by clauses (1) and (3) of section 106, to make and to distribute phonorecords of such works, are subject to

100. *Id.* § 115(c)(2).

101. *See* 17 U.S.C. § 801 (1976) (creating and outlining rules for Copyright Royalty Tribunal).

102. In 1984, section 115 was amended slightly to include in compulsory licensing the right to control rental, lease, and lending of musical compositions. Record Rental Amendment of 1984, Pub. L. No. 98-450, § 3, 98 Stat. 1727, 1727 (codified as amended at 17 U.S.C. § 115 (2000)).

103. Digital Performance Right in Sound Recordings Act of 1995, Pub. L. No. 104-39, § 4, 109 Stat. 336, 344 (codified as amended at 17 U.S.C. § 115 (2000)).

104. 17 U.S.C. § 115(d). An example of a DPD is a digital music file, such as an MP3, downloaded from the Internet to a computer. Music files purchased and downloaded on iTunes are considered DPDs under the 1976 Copyright Act. *See* 17 U.S.C. § 115(c)(3)(A) (including digital music under compulsory license provisions).

105. *See* S. REP. NO. 104-128, at 37 (1995), *reprinted in* 1995 U.S.C.C.A.N. 356, 384 (“The intention in extending the mechanical compulsory license to digital phonorecord deliveries is to maintain and reaffirm the mechanical rights of songwriters and music publishers as new technologies permit phonorecords to be delivered by wire or over the airwaves.”).

106. 17 U.S.C. § 115(c)(3)(A).

107. Minor amendments were also made to section 115 in 1997 and 2004. *See* Copyright Royalty and Distribution Reform Act of 2004, Pub. L. No. 108-419, § 5, 118 Stat. 2341, 2364-65 (replacing copyright arbitration royalty panels with Copyright Royalty Judges and authorizing submission of novel questions of copyright law to Register of Copyrights by Copyright Royalty Judges); Pub. L. No. 105-80, § 4, 111 Stat. 1529, 1531 (1997) (making only technical changes to Act).

108. 17 U.S.C. § 115.

compulsory licensing.”¹⁰⁹ The other exclusive rights of the copyright holder¹¹⁰ remain under the owner’s control and can be licensed only at his discretion and subject to freely negotiated terms. One of those retained rights is the right to prepare derivative works, which is provided for in clause (2) of section 106.¹¹¹ Thus, the statute expressly excludes derivative works¹¹² and a person planning to create a derivative work generally cannot make use of the compulsory license and must negotiate a license with the copyright holder.¹¹³

The Copyright Act defines derivative works as being “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.”¹¹⁴ The definition of derivative works also adds that “[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.’”¹¹⁵ To illustrate what normally constitutes a derivative work, consider a novel written in English. A translation of that novel into another language would be a derivative work based on that novel. A motion picture version of the novel would be a derivative work based on the novel. Section 103 of the Copyright Act provides that the author of a derivative work may also obtain a copyright in the derivative work, but the protection will only extend to the material added and will not grant him any right in the preexisting

109. *Id.*

110. See *supra* note 27 for a list of the exclusive rights granted to copyright owners under 17 U.S.C. § 106. Generally, these include the rights to reproduce, make derivative works, distribute, publicly perform, publicly display, and digitally perform. 17 U.S.C. § 106 (2000 & Supp. IV 2004).

111. See 17 U.S.C. § 106(2) (granting copyright holder right “to prepare derivative works based upon the copyrighted work”).

112. Congress’s intent to exclude derivative works rights from section 115 seems even more apparent when section 115 is compared with section 114(a), which details the limitations of the exclusive rights of the owner of a copyright in a sound recording. Section 114(a) states that these rights “are limited to the rights specified by clauses (1), (2), (3) and (6) of section 106.” 17 U.S.C. § 114(a) (2000). The specific mention of the derivative work right in section 114(a) shows that if Congress had intended to include the right in section 115, Congress would have specifically provided for it and that the omission was intentional. See SCHULENBERG, *supra* note 28, at 454 (examining statutory language and concluding that “[s]ection 115 does not give a right to create derivative works of musical compositions”). Professor Schulenberg noted that in the case of *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994), the defendant, rap group 2 Live Crew, never attempted to obtain a compulsory license for its parody of Roy Orbison’s “Oh, Pretty Woman,” which was so different from the original song that it arguably constituted a derivative work. SCHULENBERG, *supra* note 28, at 454; see also *Campbell*, 510 U.S. at 571-72 (noting different names given to versions of Orbison and 2 Live Crew). The group attempted to obtain a regular license and was denied (and later sued for using the song anyway). SCHULENBERG, *supra* note 28, at 447. Professor Schulenberg sees this example as evidence that a compulsory license cannot be used for derivative works. *Id.* at 454.

113. There is an exception to the exclusion of derivative works from section 115 detailed in section 115(a)(2). See *infra* notes 117-27 and accompanying text for a discussion of the exception in section 115(a)(2).

114. 17 U.S.C. § 101 (2000 & Supp. IV 2004).

115. *Id.*

material.¹¹⁶ Referring again to the novel example, the person who translated the novel into another language would be able to obtain a copyright in the translated version. That copyright, however, would only apply to the translated words and not the original story. Therefore, the author of the translation would have no control over future uses of the original story. Accordingly, if a work meets this definition of a derivative work, the compulsory license provision of section 115 cannot be utilized to license the material in the underlying work that is to be used.

The language in section 115(a)(2), which specifically mentions a form of derivative work, seems to contradict the express exclusion of derivative works in the introductory provision of section 115 and can be interpreted to create an exception to the general exclusion of derivative works from compulsory licensing.¹¹⁷ Under section 115(a)(2), a compulsory license grants the right to make a “musical arrangement of the work.”¹¹⁸ A musical arrangement, however, is one of the enumerated examples of a derivative work given in the definition of derivative works in section 101.¹¹⁹ The fact that these arrangements would be derivative works seems to have been recognized by Congress, which included in section 115(a)(2) the restriction that these permitted arrangements “shall not be subject to protection as a derivative work under this title, except with the express consent of the copyright owner.”¹²⁰ It seems that section 115 excludes the right to make derivative works in one provision only to authorize their production in the next. The resolution of this apparent contradiction is the conclusion that derivative works in general are outside the scope of compulsory licensing with the exception of those that qualify as permissible arrangements under section 115(a)(2). This resolution can be referred to as the “arrangement exception.”

This privilege granted in the arrangement exception in section 115(a)(2) is strictly limited and only allows arrangement¹²¹ “to the extent necessary to conform it to the style or manner of interpretation of the performance involved.”¹²² The statute mandates that the arrangement may not “change the basic melody or fundamental character of the work.”¹²³ The typical example of such an arrangement is what is known as a cover record in which one artist

116. 17 U.S.C. § 103(b) (2000).

117. *See id.* § 115(a)(2) (allowing compulsory licensor to make musical arrangement of work, but denying such arrangements protection as derivative works).

118. *Id.*

119. 17 U.S.C. § 101 (2000 & Supp. IV 2004).

120. 17 U.S.C. § 115(a)(2) (2000).

121. The term “arrangement” is not defined in the Copyright Act. The term is defined by *The New Encyclopedia of Music and Musicians* as “[t]he process or result of readjusting a work for performance by different artistic means from that originally intended.” THE NEW ENCYCLOPEDIA OF MUSIC AND MUSICIANS 11 (Waldo Selden Pratt ed., The Macmillan Company 1929) (1924). The encyclopedia further defines arrangements as “relatively close or literal renderings of the substance and form of a work with only those modifications demanded by the limitations or peculiarities of the medium in view.” *Id.*

122. 17 U.S.C. § 115(a)(2)

123. *Id.*

records a song originally written or recorded by another artist. Some of the most notable examples of such cover songs are Sid Vicious's 1979 rendition of Frank Sinatra's 1969 classic "My Way,"¹²⁴ Whitney Houston's 1992 recording of Dolly Parton's 1974 hit "I Will Always Love You,"¹²⁵ and Lenny Kravitz's 1998 cover of the Guess Who's 1970 release "American Woman."¹²⁶ In each of these instances, the later recording artist could make changes to adapt the song to his or her musical genre but could not go so far as to change the "basic melody or fundamental character" of the original musical composition.¹²⁷ Therefore, the liberty that a compulsory licensor has to make changes to the licensed musical composition can be viewed on a continuum. At one end are permissible changes to adapt the song to a new genre or medium under the arrangement exception. As the changes become more dramatic, the new work eventually crosses a threshold where the basic melody or fundamental character have been changed and the new work no longer qualifies as an arrangement and is thus a derivative work that is outside the scope of section 115.

2. Originality: Infringement Versus Protection

Derivative works are important in two contexts in the Copyright Act: infringement and protection. Under section 106(2), a copyright owner has the exclusive right to prepare derivative works based on her copyrighted work,¹²⁸ and anyone else who does so without authorization is infringing that right.¹²⁹ Additionally, under section 103(a), the author of a derivative work may obtain copyright protection in that work, provided that her use of the preexisting work was lawfully authorized by the owner of the copyright in that work.¹³⁰ In the protection context, courts have required that derivative works exhibit a requisite level of originality before protection will be granted.¹³¹ This originality

124. See *They Did It Their Way*, TELEGRAPH.CO.UK, Nov. 20, 2004, <http://www.telegraph.co.uk/arts/main.jhtml?xml=/arts/2004/11/20/bmcovercont20.xml&page=3> (listing Vicious's cover of "My Way" as number three on list of fifty best cover songs).

125. See *Cover vs. Original, I Will Always Love You: Whitney Houston vs. Dolly Parton*, <http://www.cover-vs-original.com/song-36.html> (last visited June 1, 2008) (taking votes on which version public prefers).

126. See *Cover vs. Original, American Woman: Lenny Kravitz vs. the Guess Who*, <http://www.cover-vs-original.com/song-130.html> (last visited June 1, 2008) (taking votes on which version public prefers).

127. See 17 U.S.C. § 115(a)(2) (prohibiting arrangement that changes fundamental character or basic melody of original musical composition).

128. 17 U.S.C. § 106(2) (2000 & Supp. IV 2004).

129. See *id.* § 501(a) ("Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 . . . is an infringer of the copyright or right of the author.").

130. 17 U.S.C. § 103(a) (2000). Section 103(a) states: "The subject matter of copyright as specified by section 102 includes compilations and derivative works, but the protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully." *Id.*

131. See, e.g., *Woods v. Bourne Co.*, 60 F.3d 978, 990 (2d Cir. 1995) (reasoning that originality is basis of copyright and derivative work must meet originality standard); *Gracen v. Bradford Exch.*, 698 F.2d 300, 305 (7th Cir. 1983) (reasoning that originality requirement in copyright law is especially

requirement is applied to all works that are granted copyright protection, regardless of whether they are derivative works.¹³²

The federal circuits diverge, however, on whether a derivative work must also meet this level of originality for infringement purposes.¹³³ This split has developed as a result of conflicting interpretations of the definition of a derivative work in section 101 of the Copyright Act. In some circuits, the definition is read to include the constitutional requirement of originality,¹³⁴ and therefore require that for any work to qualify as a derivative work for infringement purposes it must also be independently copyrightable.¹³⁵ These courts read the originality requirement into section 101's definition of derivative works by reading the two sentences of the definition together.¹³⁶ The first sentence, which omits the word "original," declares a derivative work to be one that is "based upon one or more preexisting works."¹³⁷ The second sentence, however, encompasses the concept of originality by declaring that a work consisting of revisions, annotations, or other changes, "which, as a whole, represent an original work of authorship, is a 'derivative work.'"¹³⁸ In other circuits, the second sentence is not read to impose an originality requirement on all works that are "based upon one or more preexisting works,"¹³⁹ and in those circuits a work does not have to be independently copyrightable to meet the definition of a derivative work for infringement purposes.¹⁴⁰

The Ninth Circuit Court of Appeals, in *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*,¹⁴¹ ignored the second sentence of the derivative works definition in affirming a district court decision holding that the mounting of

important in context of derivative works and finding painting of Dorothy from *The Wizard of Oz* ineligible for copyright protection for lack of originality).

132. See *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 346 (1991) (declaring that originality is constitutional requirement of copyright protection).

133. Compare *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341, 1343-44 (9th Cir. 1988) (finding mounting of copyrighted artwork onto ceramic tiles to be infringement of derivative works right without discussion of originality), with *Peker v. Masters Collection*, 96 F. Supp. 2d 216, 221 (E.D.N.Y. 2000) (finding that defendant's acts of repainting over lithographs of plaintiff's copyrighted paintings did not infringe plaintiff's derivative work rights because defendant's paintings were not original enough to be independently copyrightable and therefore could not be derivative works).

134. E.g., *Feist*, 499 U.S. at 346 (incorporating originality requirement into definition of derivative work).

135. See *Woods*, 60 F.3d at 990 (holding that work must be independently copyrightable to be considered derivative).

136. See, e.g., *Lee v. A.R.T. Co.*, 125 F.3d 580, 582 (7th Cir. 1997) (suggesting in dicta that failure to read two sentences in conjunction would yield outrageous results and grant artists extraordinarily strong moral rights); *Woods*, 60 F.3d at 989-91 (holding that first sentence "must be read in conjunction with the second").

137. 17 U.S.C. § 101 (2000).

138. *Id.*

139. *Id.*

140. See *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341, 1343-44 (9th Cir. 1988) (ignoring second sentence of section 101 definition and finding defendant's works to infringe plaintiff's derivative works right without even mentioning originality).

141. 856 F.2d 1341 (9th Cir. 1988).

legally purchased artworks on ceramic tiles for retail sale infringed the artwork copyright holders' right to prepare derivative works under section 106(2) of the Copyright Act.¹⁴² The court reasoned that the derivative work right was created to extend the copyright owners' protections beyond mere reproduction to other alternatives that "recast, transformed or adapted" the work and that incorporating the artworks in the tiles "certainly recast or transformed the original images."¹⁴³ The court held that simply making another version of a work constitutes a derivative work and will be considered infringement if the content taken from the preexisting work was substantial enough to constitute infringement if used without permission of the copyright holder.¹⁴⁴ Thus, *Mirage* created precedent in the Ninth Circuit that all that is required of a derivative work is for it to be another "version" of a preexisting work in which the portion used meets the general standards for copyright infringement.¹⁴⁵ Under this standard, the work does not have to be independently copyrightable to qualify as a derivative work.¹⁴⁶ This holding has been followed by subsequent Ninth Circuit cases.¹⁴⁷

Conversely, courts in the Second and Seventh Circuits have refused to follow the precedent set by *Mirage*. In *Woods v. Bourne, Co.*,¹⁴⁸ the Court of Appeals for the Second Circuit determined that for a work to qualify as a derivative work, it must contain a sufficient amount of originality to be "independently copyrightable."¹⁴⁹ The court affirmed a district court decision in which that court reasoned that the first sentence of the definition of derivative works must be read in conjunction with the second, and thus a derivative work must be an "original work of authorship."¹⁵⁰ The standard of originality of a derivative work, the Second Circuit held, is that "there must be at least some substantial variation [from the underlying work], not merely a trivial

142. *Mirage*, 856 F.2d at 1343-44.

143. *Id.* at 1344 (referring to 17 U.S.C. § 101 (1982)).

144. *Id.* at 1343.

145. For a work to be considered infringing, generally a plaintiff must show that the defendant copied the plaintiff's work and that the copying constitutes improper appropriation. 2 PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT § 9.1 (Supp. 2007).

146. There is further support for this standard in the accepted concept that a derivative work does not have to be fixed in a tangible form (a foremost requirement for copyright protection) in order to infringe. See H.R. REP. NO. 94-1476, at 62 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5675 (stating that preparation of derivative work can infringe even though it is not fixed in tangible form); Paul Goldstein, *Derivative Rights and Derivative Works in Copyright*, 30 J. COPYRIGHT SOC'Y 209, 231 n.75 (1983) (agreeing that work does not have to be fixed to be an infringing derivative work).

147. See, e.g., *Micro Star v. Formgen, Inc.*, 154 F.3d 1107, 1112 (9th Cir. 1998) (following *Mirage* to reason that video game incorporating "levels" created within another video game infringed derivative work rights of copyright owners of preexisting video game); *Sobhani v. @Radical.media, Inc.* 257 F. Supp. 2d 1234, 1238 (C.D. Cal. 2003) (following *Mirage* to find that commercials incorporating clips from another copyrighted commercial constituted derivative works).

148. 60 F.3d 978 (2d Cir. 1995).

149. *Woods*, 60 F.3d at 990.

150. *Id.* at 989-91 (quoting *Woods v. Bourne Co.*, 841 F. Supp. 118, 121 (S.D.N.Y. 1994)).

variation.”¹⁵¹

The Seventh Circuit, in *Lee v. A.R.T. Co.*,¹⁵² affirmed a district court decision which expressly rejected the Ninth Circuit precedent under *Mirage* and, similar to the court in *Woods*, held that there was an originality requirement implicit in the definition of derivative works under which the derivative works right could not be infringed unless the new work was original enough to be independently copyrightable.¹⁵³ Under facts strikingly similar to *Mirage*, the Court of Appeals for the Seventh Circuit found that mounting artworks onto ceramic tiles did not infringe the derivative work rights of the copyright holders.¹⁵⁴ The court, however, declined to make a ruling on what, if any, level of originality is necessary for a derivative work and instead based its decision on the premise that the mounting of the artworks did not transform, recast, or adapt the works and therefore did not create derivative works.¹⁵⁵ Despite its decision not to take a side on the issue, the court, in strong dicta, criticized the *Mirage* precedent.¹⁵⁶ Numerous cases¹⁵⁷ have followed the positions of the Second and Seventh Circuits that for a work to be an infringing derivative work it must be sufficiently original to merit copyright protection.¹⁵⁸

151. *Id.* at 990 (alternation in original) (quoting *L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486, 491 (2d Cir. 1976) (en banc)).

152. 125 F.3d 580 (7th Cir. 1997), *aff'g* 925 F. Supp. 576 (N.D. Ill. 1996).

153. *Lee*, 125 F.3d at 582.

154. *Id.* at 582-83.

155. *Id.*

156. *Id.* The court stated:

Indeed, if *Lee* is right about the meaning of the definition's first sentence, then *any* alteration of a work, however slight, requires the author's permission. We asked at oral argument what would happen if a purchaser jotted a note on one of the note cards, or used it as a coaster for a drink, or cut it in half, or if a collector applied his seal (as is common in Japan); *Lee*'s counsel replied that such changes prepare derivative works, but that as a practical matter artists would not file suit. A definition of derivative work that makes criminals out of art collectors and tourists is jarring despite *Lee*'s gracious offer not to commence civil litigation.

If *Lee* (and the [N]inth [C]ircuit) are right about what counts as a derivative work, then the United States has established through the back door an extraordinarily broad version of authors' moral rights, under which artists may block any modification of their works of which they disapprove.

Id. at 582.

157. *See, e.g., Peker v. Masters Collection*, 96 F. Supp. 2d 216, 221 (E.D.N.Y. 2000) (finding that work infringes derivative works right only when it possesses threshold degree of originality); *Precious Moments, Inc. v. La Infantil, Inc.*, 971 F. Supp. 66, 69 (D.P.R. 1997) (holding that copyrighted fabric featuring Precious Moments characters that was purchased and sewn into bedding did not constitute derivative work because it lacked requisite originality).

158. The differing interpretations of the originality requirement for derivative works have presented an issue in the context of motion picture trailers, which consist solely of short clips of full-length movies. In *Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc.*, 192 F. Supp. 2d 321 (D.N.J. 2002), *aff'd on other grounds*, 342 F.3d 191 (3d Cir. 2003), the court held that two-minute movie trailers that included no original work beyond the shortening and rearrangement of the full-length movie likely constituted derivative works. 192 F. Supp. 2d at 331; *see also Lamb v. Starks*, 949 F. Supp. 753, 755-56 (N.D. Cal. 1996) (finding movie trailer to be derivative work of full-length movie).

3. Originality: Substantial Versus Trivial Variations

Even within the circuits in which it is accepted that a certain level of originality must be present for classification as a derivative work, there is conflicting case law on the standard by which courts should determine if the work meets the requisite originality for independent copyright protection. The seminal authority on the originality standard is *Alfred Bell & Co. v. Catalda Fine Arts, Inc.*¹⁵⁹ The Second Circuit, in *Alfred Bell*, declared that all that is needed to satisfy constitutional originality requirements is some distinguishable variation on the preexisting work that is more than “merely trivial.”¹⁶⁰ The court embellished that the requirement was “little more than a prohibition of actual copying”¹⁶¹ and could be satisfied by as little as a deviation in a copy caused by the copier’s bad eyesight or shock at a clap of thunder.¹⁶²

The Second Circuit revisited the originality requirement for derivative works in 1976 in *L. Batlin & Son, Inc. v. Snyder*,¹⁶³ adopting a higher standard for originality.¹⁶⁴ In *Batlin*, the Second Circuit denied copyright protection to a plastic version of a novelty “Uncle Sam” coin bank based on a metal Uncle Sam bank design that was in the public domain.¹⁶⁵ The court held that the level of originality necessary to support copyright protection in a derivative work requires some “substantial variation” from the preexisting work, more than the “merely . . . trivial variation such as might occur in the translation to a different medium.”¹⁶⁶ Although recognizing that there were several distinguishable changes made by the author of the plastic version, the court dismissed these as insubstantial and unable to support copyright protection independently.¹⁶⁷

Comparatively, in *Clean Flicks of Colorado, LLC v. Soderbergh*, 433 F. Supp. 2d 1236 (D. Colo. 2006), the court held that family-friendly edited versions of full-length motion pictures were not “transformative” enough to qualify as derivative works. 433 F. Supp. 2d at 1242.

159. 191 F.2d 99 (2d Cir. 1951); see also Phillip Edward Page, *The Works: Distinguishing Derivative Creations Under Copyright*, 5 CARDOZO ARTS & ENT. L.J. 415, 420-21 (1986) (describing *Alfred Bell* as foremost case in explaining originality standard for derivative works).

160. *Alfred Bell*, 191 F.2d at 103 (quoting *Chamberlin v. Uris Sales Corp.*, 150 F. 2d 512, 513 (2d Cir. 1945)); see also Russ VerSteeg, *Rethinking Originality*, 34 WM. & MARY L. REV. 801, 843 (1993) (describing *Alfred Bell* as classic articulation of distinguishable variation standard); Julia Reytblat, Note, *Is Originality in Copyright Law a “Question of Law” or a “Question of Fact?”: The Fact Solution*, 17 CARDOZO ARTS & ENT. L.J. 181, 190 (1999) (crediting *Alfred Bell* with adopting distinguishable variation test for derivative work originality).

161. *Alfred Bell*, 191 F.2d at 103 (quoting *Hoague-Sprague Corp. v. Frank C. Meyer Co.*, 31 F.2d 583, 586 (E.D.N.Y. 1929)).

162. *Id.* at 105.

163. 536 F.2d 486 (2d Cir. 1976).

164. See *Batlin*, 536 F.2d at 491 (deciding that to be eligible for copyright protection, derivative work must show “substantial variation” from preexisting work).

165. *Id.* at 491-92. Items in the public domain are those items that are not protected by copyright, either because they were never eligible, because their copyright protection has expired, or because their authors have dedicated them to the public domain. A. Samuel Oddi, *The Tragicomedy of the Public Domain in Intellectual Property Law*, 25 HASTINGS COMM. & ENT. L.J. 1, 1-5 (2002).

166. *Id.* at 491.

167. *Id.* at 489. *Batlin*’s “substantial variation” standard was relied on heavily in the Second Circuit’s more recent decision on the originality requirement for derivative works. *Woods v. Bourne*

While the Supreme Court has not directly addressed the issue of originality in the context of derivative works, the Court has ruled on the originality requirement in general and its application to compilations,¹⁶⁸ which can be easily analogized to derivative works.¹⁶⁹ In *Feist Publications, Inc. v. Rural Telephone Service Co.*,¹⁷⁰ the Supreme Court recognized that in order to be eligible for copyright protection, a work will have to demonstrate originality in “some minimal degree of creativity.”¹⁷¹ The Court explained that the requisite level is “extremely low” and that “even a slight amount will suffice.”¹⁷² A work will be found to meet the requisite originality as long as it contains “some creative spark,” regardless of how “‘crude, humble or obvious’ it might be.”¹⁷³ *Feist* considered the copyright in a white pages phone directory in which phone numbers were listed alphabetically.¹⁷⁴ The Court decided that this was one of the few works in which the selection and arrangement of preexisting material (phone numbers in alphabetical order by name) was so obvious that it lacked the required “modicum of creativity.”¹⁷⁵ The standard articulated in *Feist* is arguably lower than the one adopted by the Second Circuit in *Batlin*.

D. The Challenge Presented by Ringtones

1. Ringtone Technology

Cell phone ringtones have progressed over an exceptionally short period of time from a technologically basic novelty product to a highly advanced and extremely popular digital music format.¹⁷⁶ Cell phone manufacturers developed and distributed the first ringtones in the late 1990s by including simple preloaded melodies in their cellular handsets.¹⁷⁷ These simple ringtones, known as

Co., 60 F.3d 978, 990 (2d Cir. 1995). See *supra* notes 148-51 and accompanying text for a discussion of *Woods*. The Seventh Circuit has also relied on the heightened standard articulated in *Batlin*. See *Gracen v. Bradford Exch.*, 698 F.2d 300, 305 (7th Cir. 1983) (applying *Batlin*'s test in determining that painting was not original derivative work). *Gracen* denied copyright protection to a painting of Judy Garland as the character of Dorothy in *The Wizard of Oz* because it lacked substantial variations from the images of Garland portrayed in the underlying work, *The Wizard of Oz* movie. *Id.* at 304-05.

168. *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 346, 350-51 (1991). A “compilation” is defined as “a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship.” *Id.* at 356 (quoting 17 U.S.C. § 101 (1976) (emphasis omitted)).

169. The requirements for copyright protection for compilations and derivative works are the same, according to the standard articulated in 17 U.S.C. § 103(b) (2000).

170. 499 U.S. 340 (1991).

171. *Feist*, 499 U.S. at 345.

172. *Id.*

173. *Id.* (quoting 1 MELVILLE NIMMER & D. NIMMER, COPYRIGHT § 1.08[C][1] (1990)).

174. *Id.* at 342.

175. *Id.* at 362.

176. See Steven Masur & Urša Chitrakar, *The History and Recurring Issues of Ringtones: Lessons for the Future of Mobile Content*, 5 VA. SPORTS & ENT. L.J. 149, 150 (2006) (explaining that ringtones are most popular digital music format).

177. Sumanth Gopinath, *Ringtones, or the Auditory Logic of Globalization*, FIRST MONDAY,

monophonic ringtones, were often renditions of songs in the public domain.¹⁷⁸ Monophonic ringtones used single notes played one at a time to reproduce brassy versions of the underlying composition that would play to alert a phone owner of an incoming call.¹⁷⁹ As early as 1998, third-party retailers, known as content aggregators, began to provide monophonic ringtones for download.¹⁸⁰ By early 2000, manufacturers developed polyphonic ringtones,¹⁸¹ which allowed for multiple, sophisticated sounds to be played at the same time, producing a sound that was much closer to the actual song.¹⁸²

2. Early Licensing Deals

As ringtones became more popular, providers began to offer more current songs, not just songs from the public domain.¹⁸³ Because they were dealing with copyright-protected material, ringtone providers now had to procure licenses for distribution.¹⁸⁴ Monophonic and polyphonic ringtones are reproductions of a musical composition in Musical Instrument Digital Interface (“MIDI”)¹⁸⁵ sound files, not replays of sound recordings, so ringtone providers only had to license the underlying musical compositions of the songs.¹⁸⁶ While the ringtone market flourished overseas, it grew slowly in the United States, and music publishers were reluctant to grant licenses at first.¹⁸⁷

Eager to catch the market as it grew, ringtone providers began distributing the ringtones without waiting for licenses from the copyright holders.¹⁸⁸ This practice was especially dangerous, because music publishers could sue the providers for copyright infringement.¹⁸⁹ While the ringtone providers had

Dec. 2005, http://www.firstmonday.org/issues/issue10_12/gopinath/index.html.

178. Musical compositions in the public domain are those for which copyright protection has expired, and such compositions may thus be used without obtaining a license or paying royalties. For example, the song “Take Me Out to the Ball Game” is in the public domain. *Id.*

179. Monophonic ringtones are defined as “single note sounds played when the phone rings – not sourced from the master recording.” INT’L FED’N OF THE PHONOGRAPHIC INDUS., IFPI:06 DIGITAL MUSIC REPORT 10 (2006), available at <http://www.ifpi.org/content/library/digital-music-report-2006.pdf>.

180. Gopinath, *supra* note 177.

181. Polyphonic ringtones are defined as “[a] combination of notes recreating a musical composition that is played when the phone rings – not sourced from the master recording.” INT’L FED’N OF THE PHONOGRAPHIC INDUS., *supra* note 179, at 10.

182. Gopinath, *supra* note 177.

183. *Id.*

184. See *supra* Part II.A.2 for a discussion of the different licenses required for reproduction of musical compositions and sound recordings.

185. A MIDI file is a set of digital instructions that tells a computer or synthesizer to play a musical composition. Masur & Chitrakar, *supra* note 176, at 151 n.10.

186. *Id.* at 151. See *supra* Part II.A.2 for a review of music copyrights and why the providers would not need any clearance rights from the owners of sound recordings.

187. Masur & Chitrakar, *supra* note 176, at 151.

188. *Id.*

189. Such sales would violate the copyright holders’ rights under 17 U.S.C. § 106. See *supra* note 27 and accompanying text for a discussion of the rights accorded to copyright holders.

originally argued that ringtones were subject to compulsory licensing under section 115,¹⁹⁰ they relinquished the position when music publishers, who were in the position to sue them for infringement already, rejected the idea and demanded individually negotiated licenses for ringtones.¹⁹¹ Rather than face costly litigation, ringtone providers agreed to deals in which they paid royalties to publishers of approximately ten percent of the retail price of each ringtone.¹⁹² With ringtones selling at \$1.99 to \$2.99 each, this royalty was at least double the statutory royalty rate for compulsory licenses.¹⁹³

3. The Rise of the Mastertone

Ringtone technology advanced, and, in 2003, manufacturers developed cellular handsets that could play actual sound recordings as ringtones,¹⁹⁴ now known as mastertones.¹⁹⁵ Because mastertones play copyrighted sound recordings, at this point, ringtone providers needed to license both the underlying musical composition, owned by music publishers, and the actual sound recording, owned by record labels.¹⁹⁶ While music publishers granted licenses for mastertones at the same royalty rate they did for monophonic and polyphonic ringtones, recording companies demanded a much higher rate.¹⁹⁷ Record labels typically grant licensing rights at the rate of forty to fifty percent of the retail value of the recording, and they made no exception for ringtones.¹⁹⁸ By taking such a large cut of ringtone revenues, record labels have greatly decreased the profits of ringtone providers, who are now often left with only a seven percent profit margin as compared to an almost fifty percent profit margin with monophonic and polyphonic ringtones.¹⁹⁹

190. See *supra* Part II.B for a discussion of section 115 and its statutory requirements.

191. Masur & Chitrakar, *supra* note 176, at 151; see also Harry Fox Agency, Ringtones FAQ, <http://www.harryfox.com/public/infoFAQRingtones.jsp> (last visited June 1, 2008) (stating that “DPD licenses issued under Section 115 of the Copyright Act do not extend to the making or distribution of Phonic Ringtones or Pre-Recorded Ringtones” for which a licensee “need[s] to obtain a specialized ringtone license”).

192. Masur & Chitrakar, *supra* note 176, at 151.

193. As of January 1, 2006, the statutory compulsory mechanical rate is \$0.091. U.S. COPYRIGHT OFFICE, *supra* note 13.

194. Gopinath, *supra* note 177.

195. “Master ringtones” are defined as “excerpts from the original sound recording (6, 18 or 30 seconds) played when the phone rings.” INT’L FED’N OF THE PHONOGRAPHIC INDUS., *supra* note 179, at 10. Mastertones are also known as true tones, real tones, or master recording ringtones. *Id.*

196. Gopinath, *supra* note 177. See *supra* Part II.A.2 for a discussion of the two copyrights present in a sound recording and why both must be licensed.

197. Gopinath, *supra* note 177.

198. *Id.*

199. See Masur & Chitrakar, *supra* note 176, at 152 (breaking down distribution of mastertone profits). In general, the recording company takes 40% of the retail price, music publishers take 10%, performing rights organizations take 3-5%, wireless carriers take 30%, technology providers take 10%, and ringtone service providers are left with just 7% of the retail price. *Id.*

4. Price Pressure and the Money Grab

The rise in popularity of ringtones in general,²⁰⁰ especially mastertones, has put pricing pressure on providers who are looking for new ways to increase profit margins. Worldwide, ringtone sales have grown to a value of four billion dollars, accounting for about ten percent of the global music market.²⁰¹ In the United States alone, fifty percent of cell phone users have downloaded at least one ringtone.²⁰² In 2005, mastertones accounted for sixty percent of ringtone revenues, nearly double the revenues collected from sales of polyphonic ringtones.²⁰³ Because ringtones retail for two to three times the price of a digital download of a song,²⁰⁴ that market has been able to almost match the revenue of the music industry's download business on half the volume.²⁰⁵ In recognition of the popularity of ringtones, Billboard Magazine began ranking ringtone downloads in a "Top 40" chart in 2004,²⁰⁶ and, in June 2006, the RIAA began awarding gold and platinum sales awards for the top-selling ringtones.²⁰⁷

The massive size of the ringtone market translates into millions of dollars at stake for those who get a piece of the ringtone revenue stream. For providers, this means that even a slight decrease in costs, multiplied by the massive sales volume, will result in a multimillion dollar profit increase.²⁰⁸ As a result, ringtone providers have returned to their initial stance that the compulsory mechanical license guaranteed by section 115 of the Copyright Act covers licenses for ringtones.²⁰⁹ If ringtone providers could license musical compositions at the

200. The rising popularity of ringtones and the increasingly broad ringtone selection available to consumers has led to the use of ringtones not only as functional cell phone ringers but also as a form of personalization. Neil J. Rosini & Michael I. Rudell, *Ring Tone Revenues Foster Copyright Détente*, N.Y. L.J., Dec. 23, 2005, available at <http://www.fwr.com/news/article.cfm?id=100649>. When a ringtone sounds off in public, it is not only a signal to the phone owner that he is receiving an incoming call, but is also a statement about the owner's personality and musical tastes. *Id.*; see also Diane M. Bitting, *My Cell, My Song*, LANCASTER NEW ERA, Aug. 3, 2006, at A5 (calling ringtones "another way to express one's tastes and personality"); David M. Ewalt, *What Does Your Ringtone Say About You?*, FORBES.COM, June 1, 2005, http://www.forbes.com/digitalentertainment/2005/06/01/cx_de_0601ringtone.html (discussing how "a person's choice of ringtone might speak volumes about his or her personality").

201. Ewalt, *supra* note 200.

202. *Id.*

203. INT'L FED'N OF THE PHONOGRAPHIC INDUS., *supra* note 179, at 11.

204. See Masur & Chitrakar, *supra* note 176, at 150 (explaining that ringtones cost between \$1.99 and \$2.99 per tone while digital downloads cost \$0.99 each).

205. Brian Garrity, *New Revenue on Tap: CD Sales May Slump, but There's Reason for Hope*, BILLBOARD, Apr. 15, 2006, at 29. In 2005 the RIAA reported sales of 170 million units of ringtones and 380 million units of online downloads. *Id.*

206. Bitting, *supra* note 200. To see the current "Top 40" ringtones, according to Billboard, visit http://www.billboard.com/bbcom/charts/chart_display.jsp?g=Singles&f=Hot+Ringtones.

207. Bitting, *supra* note 200.

208. Mario F. Gonzalez, *Are Musical Compositions Subject to Compulsory Licensing for Ringtones?*, 12 UCLA ENT. L. REV. 11, 15 (2004).

209. See *id.* at 15-16 (explaining that section 115 compulsory licenses may work to benefit ringtone companies).

statutory rate set by section 115, currently \$0.091 per reproduction,²¹⁰ rather than the negotiated ten percent royalties they have been paying so far,²¹¹ they could secure a substantial profit increase.

The RIAA has joined ringtone providers in their arguments for compulsory licensing of musical compositions for ringtones.²¹² Even though most record labels are also affiliated with music publishing companies, the labels support compulsory licensing for two reasons. First, the labels would like to provide one-stop licensing to ringtone providers, granting them a license for ringtone use that encompasses both the sound recording and the musical composition.²¹³ Second, the labels eventually want to provide their own ringtones to cell phone companies, cutting out ringtone providers and thus increasing their profit margin.²¹⁴

With the RIAA on their side, ringtone providers have a much stronger standing in their argument against music publishers, but publishers have held their ground so far. In June 2004, some record companies and ringtone providers decided to test the compulsory licensing waters by sending compulsory licensing notices and royalties at the statutory rate (\$0.085 per reproduction at the time) to the Harry Fox Agency (“HFA”),²¹⁵ the primary licensing and collection agency that represents music publishers.²¹⁶ Jacqueline Charlesworth, senior vice president of HFA, returned the money and sent out a notice reiterating HFA’s position that the compulsory license does not cover ringtones²¹⁷ and that those who continued to send compulsory payments would be doing so “at great risk.”²¹⁸ While record companies and ringtone providers returned to paying the negotiated ringtone rates, they have not relinquished their efforts to invoke section 115.

210. U.S. COPYRIGHT OFFICE, *supra* note 13.

211. See *supra* Part II.D.2 for a discussion of the royalty arrangements originally negotiated between ringtone providers and music publishers.

212. Gonzalez, *supra* note 208, at 15.

213. *Id.*

214. *Id.*

215. The Harry Fox Agency is the “foremost mechanical licensing, collections, and distribution agency for U.S. music publishers.” Harry Fox Agency, About HFA, <http://www.harryfox.com/public/HFAHome.jsp> (last visited June 1, 2008). The HFA represents the majority of U.S. music publishers and licenses the largest percentage of mechanical and digital uses of music in the United States. *Id.*

216. Eriq Gardner, *Ringtones Breed Tension Within Music Industry: Part Two of Two*, ENT. L. & FIN. (Law Journal Newsletters, Phila., Pa.), Nov. 2005, at 3.

217. *Id.*; Ringtones FAQ, *supra* note 191.

218. Gardner, *supra* note 216, at 3. For a full reprint of the letter, see Gonzalez, *supra* note 208, at 11-12.

E. The Decision of the U.S. Copyright Office

1. Questions and Arguments Presented

In an effort to clarify the issue, the RIAA began lobbying Congress to update section 115 to expressly include ringtones.²¹⁹ For more immediate results, the RIAA also petitioned the Copyright Royalty Board for clarification on the issue.²²⁰ The Board, unable to reach a decision, ordered parties on both sides to submit briefs supporting their position and referred the question to the Register of Copyrights at the U.S. Copyright Office.²²¹ The questions presented to the Register of Copyrights were:

1. Does a ringtone, made available for use on a cellular telephone or similar device, constitute delivery of a digital phonorecord that is subject to statutory licensing under 17 U.S.C. § 115, irrespective of whether the ringtone is monophonic (having only a single melodic line), polyphonic (having both melody and harmony), or a mastertone (a digital sound recording or excerpt thereof)?
2. If so, what are the legal conditions and/or limitations on such statutory licensing?²²²

In support of its position, the RIAA argued that cell phone ringtones are DPDs under the Copyright Act and are subject to compulsory licensing under section 115 based on a plain-language reading of the statute.²²³ Specifically, the RIAA argued that ringtones lack the requisite originality to constitute derivative works, which are outside the scope of section 115, under authority from the Second and Seventh Circuits requiring that a work be independently copyrightable to qualify as a derivative work.²²⁴ Additionally, the RIAA countered that even if ringtones are considered to be derivative works, they are permissible arrangements under the arrangement exception in section 115(a)(2).²²⁵ On behalf of music publishers, the NMPA, the SGA, and the NSAI (collectively “copyright owners”) argued in their brief that ringtones are excluded from section 115.²²⁶ The copyright owners argued primarily that

219. Gardner, *supra* note 216, at 3.

220. Susan Butler, *CRB: Ringtone Licenses a Copyright Office Decision*, BILLBOARD.BIZ, Aug. 21, 2006, <http://www.allbusiness.com/retail-trade/miscellaneous-retail-retail-stores-not/4388977-1.html>.

221. *Id.* Pursuant to section 802(f)(1)(B) of the Copyright Act, the Copyright Royalty Judges may refer any novel question of law regarding interpretation of the Act to the Register of Copyrights to be resolved. 17 U.S.C. § 802(f)(1)(B) (Supp. IV 2004).

222. Memorandum Opinion, *supra* note 15, at 64,303.

223. *Id.* at 64,304.

224. *Id.* See *supra* Parts II.C.2-3 for a discussion of the Second and Seventh Circuit precedents on derivative works.

225. Memorandum Opinion, *supra* note 15, at 64,304.

226. Initial Brief of National Music Publishers’ Ass’n, Inc. et al. in Response to Referral to the Register of Copyrights of Questions of Law Regarding Ringtones at 1-2, Mech. & Digital Phonorecord Delivery Rate Adjustment Proceeding, 71 Fed. Reg. 64,303 (U.S. Copyright Office Oct. 16, 2006) (No. RF 2006-1) [hereinafter Initial Brief].

ringtones are not covered by section 115 because they are derivative works and thus are outside the express language of the statute.²²⁷ The copyright owners urged the Register to follow Ninth Circuit precedent holding that there is no requisite originality or creativity required to infringe the derivative works right²²⁸ but also argued that ringtone production encompasses enough creativity to meet the originality standard of any circuit.²²⁹ The copyright owners also argued that ringtones do not fall within the arrangement exception of section 115(a)(2) because they change the fundamental character or basic melody of the underlying musical composition.²³⁰ Last, the copyright owners contended that ringtones are also excluded from section 115 because they do not meet the private use requirement.²³¹

2. The Register Finds that Ringtones Are Covered by Section 115 and Subject to Compulsory Licensing

On October 16, 2006, after reviewing briefs submitted by the RIAA and the copyright owners and after oral argument on the issue, the U.S. Copyright Office released its decision.²³² The Register held that cell phone ringtones are subject to the compulsory license provision of section 115.²³³ Specifically, the Register of Copyrights found that ringtones (monophonic, polyphonic, and mastertones) are DPDs as defined in section 115 and are distributed to the public for private use, even though they are sometimes used for personal identification in public.²³⁴ The application of section 115 to a ringtone, according to the Register, depends on whether the ringtone is simply an excerpt of the sound recording or if new material is added.²³⁵ The Register rejected the Ninth Circuit precedent on derivative works and found that ringtones that consist of only excerpts of a sound recording are not derivative works and, therefore, are within the scope of the compulsory license.²³⁶ Ringtones that add new material, however, may be classified as derivative works and fall outside the scope of section 115.²³⁷ Finally, the Register also decided that if a ringtone were deemed to be a derivative work, following its initial distribution with the permission of the copyright owner, it then would be subject to compulsory licensing, and anyone wishing to make and distribute that ringtone could obtain a compulsory license.²³⁸

227. *Id.* at 2-3.

228. *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341, 1344 (9th Cir. 1988).

229. Memorandum Opinion, *supra* note 15, at 64,310-11.

230. *Id.* at 64,313.

231. *Id.* at 64,315.

232. *Id.* at 64,303.

233. *Id.* at 64,307.

234. Memorandum Opinion, *supra* note 15, at 64,304.

235. *Id.*

236. *Id.* at 64,304, 64,311.

237. *Id.* at 64,304.

238. *Id.*

3. Industry Response

The parties instantly responded to the Copyright Office's ruling. The RIAA quickly released a statement applauding the decision.²³⁹ Steven Marks, executive vice president and general counsel of the RIAA, claimed that the decision "injects clarity into the marketplace," which will help satisfy customer demand for ringtones by allowing them to be provided to consumers more quickly and easily.²⁴⁰ The organizations on the other side of the battle, representing music composition copyright owners, reacted strongly against the decision. A spokeswoman for the NMPA expressed the organization's disappointment with the decision, which she called "an unprecedented broadening of the compulsory license."²⁴¹ HFA, which represents many NMPA members and other songwriters, quickly posted a statement on its Web site refusing to follow the decision.²⁴² The statement declared that "HFA has not issued and is not issuing ringtone or mastertone licenses under the compulsory license provisions of Section 115."²⁴³ On a final, foreboding note, the statement declared that HFA and NMPA were evaluating their legal options regarding the decision.²⁴⁴

This butting of heads within the music industry over the ringtone issue will likely continue, despite the decision of the Copyright Office. The Office's decision is only advisory and is not controlling over courts, which could reach a different decision if a ringtone licensing case is brought.²⁴⁵ Ultimately, even a

239. See Recording Indus. Ass'n of Am., RIAA Statement on Copyright Office Ringtone Ruling (Oct. 17, 2006), available at http://www.riaa.com/news_room.php (follow "2006" hyperlink; then follow "October" hyperlink; then follow "October 17, 2006" hyperlink) (stating that decision will help reach RIAA's goals for music industry).

240. *Id.*

241. Susan Butler, *Compulsory Licenses Cover Ringtones*, BILLBOARD.BIZ, Oct. 16, 2006, http://www.billboard.biz/bbbiz/search/article_display.jsp?vnu_content_id=1003255346.

242. See Harry Fox Agency, *supra* note 18 (stating that Register of Copyright's administrative ruling does not affect HFA's policies regarding DPD licenses).

243. *Id.*

244. *Id.* The reaction posted by HFA read, in relevant part:

Recently, the Register of Copyrights issued an administrative ruling in the context of the pending Section 115 rate proceeding before the Copyright Judges in Washington, DC concerning the availability of the statutory compulsory license as to ringtones and mastertones under certain circumstances. *This decision has no effect on HFA's existing policy that DPD licenses issued by HFA on behalf of publishers are limited to the making and distribution of full downloads comprising full-length musical works and do not cover the additional configurations of ringtones or mastertones.* HFA has not issued and is not issuing ringtone or mastertone licenses under the compulsory license provisions of Section 115.

Publishers have successfully licensed ringtones and mastertones in the free market for years, including through HFA's ringtones licensing program. HFA is therefore greatly disappointed by the Register's decision in the ratesetting proceeding to subject certain ringtones and mastertones to the compulsory license, which will hurt publishers and songwriters. Acting in conjunction with the NMPA, HFA is currently evaluating legal options with respect to the Register's decision.

Id.

245. See Jacqueline M. Allshouse-Hutchens, Note, *How to Give an Old Song a New License: A Recently Adopted Alternative to Rodgers and Hammerstein Organization v. UMG Recordings*, 94 KY.

court decision can be overcome by congressional amendment to section 115; the RIAA continues to lobby for this result.²⁴⁶

III. DISCUSSION

Contrary to the conclusion of the Register of Copyrights, ringtones should not be subject to the compulsory license under section 115²⁴⁷ for several reasons.²⁴⁸ First, ringtones are derivative works under the definition in section 101 of the Copyright Act.²⁴⁹ As derivative works, they may not make use of the compulsory license under section 115 unless they fall into the arrangement exception of section 115(a)(2).²⁵⁰ Ringtones, however, do not fall into this exception and, therefore, are outside the scope of the compulsory license.²⁵¹ Additionally, ringtones do not satisfy the private use requirement of section 115.²⁵² This construction of the Copyright Act is consistent with the congressional intent behind the compulsory license provision, which calls for a narrow interpretation.²⁵³ In addition to extending the scope of section 115 to an unprecedented level, the Register's decision adds confusion and uncertainty to an already volatile legal fight because it provides no real solution and was not the proper venue for consideration of the ringtone question.²⁵⁴

As indicated by the cryptic statements of HFA,²⁵⁵ music publishers and their representatives likely will seek a judicial ruling on the applicability of the section 115 compulsory license to ringtones. While Congress has been discussing

L.J. 561, 575 (2005) (explaining that Copyright Office "does not have the authority to create law by which courts must abide").

246. Congress has been holding hearings for the last few years to discuss possible amendments to section 115, but no bill has moved beyond the committee stage. See generally *Discussion Draft of the Section 115 Reform Act (SIRA) of 2006: Hearing Before the H. Subcomm. on Courts, the Internet, & Intellectual Prop. of the H. Comm. on the Judiciary*, 109th Cong. (2006) [hereinafter *SIRA Hearing*] (discussing possible solutions to reform music licensing laws suggested jointly by music publishers and online music companies); *Digital Music Licensing and Section 115 of the Copyright Act: Hearing Before the H. Subcomm. on Courts, the Internet, & Intellectual Prop. of the H. Comm. on the Judiciary*, 109th Cong. (2005) [hereinafter *Licensing Hearing*] (determining how to update and modernize music licensing, with special attention on section 115).

247. 17 U.S.C. § 115 (2000). See *supra* Part II.B for a discussion of the section 115 compulsory license and its statutory requirements.

248. See *infra* Part III.A for several arguments supporting the premise that ringtones are not subject to compulsory licensing under section 115.

249. Cf. 17 U.S.C. § 101 (defining "derivative work" and listing examples, including "abridgment[s]," which arguably can be analogized to ringtones). See *infra* Part III.A.1 for a discussion of why ringtones are derivative works.

250. 17 U.S.C. § 115(a)(2). See *supra* Part II.C.1 for a discussion of the arrangement exception.

251. See *infra* Part III.A.2 for a discussion of why ringtones do not fall into the arrangement exception.

252. See *infra* Part III.A.3 for a discussion of why ringtones fail to meet the private use requirement.

253. See *infra* Part III.A.4 for a discussion of why this interpretation serves the congressional intent behind the section 115 compulsory license.

254. See *infra* Part III.B.1 for a discussion of the detrimental effects of the Register's decision.

255. See *supra* notes 242-44 and accompanying text for a review of HFA's threat of legal action.

amendments to section 115 to clarify which new technologies the compulsory license will cover,²⁵⁶ no amendments have been officially proposed and there is no indication that Congress will pass an amendment in the near future. It is worth noting that it took Congress over ten years to discuss, draft, and pass the 1976 amendments to section 115.²⁵⁷ With no clarification from Congress in sight, the parties involved in the ringtone dispute will likely seek a judicial decision on whether ringtones are covered by the current version of the compulsory licensing provision. In analyzing this dispute, the court petitioned, regardless of the circuit chosen, should find that ringtones are not covered by the compulsory license provision. Such a ruling will benefit the music industry by reducing confusion and bringing the clarity of a bright-line rule to the ringtone issue.²⁵⁸

A. *Ringtones Are Not Subject to Compulsory Licensing Under Section 115*

1. *Ringtones Are Derivative Works*

Ringtones qualify as derivative works under the definition in section 101 of the Copyright Act,²⁵⁹ because they are based on preexisting works (original sound recordings and musical compositions) and they consist of significant modifications to the works (shortening, looping, etc.).²⁶⁰ Ringtones can be most closely analogized to “abridgment[s]” as the term is used in examples of derivative works given in the Copyright Act.²⁶¹ While that term usually refers to shortened versions of literary works,²⁶² courts have expanded its scope to other copyrighted works.²⁶³ The Second Circuit has endorsed a dictionary definition of

256. See generally *SIRA Hearing*, *supra* note 246 (discussing continuing efforts to reform section 115 of the Copyright Act); *Licensing Hearing*, *supra* note 246 (debating methods of updating compulsory music licenses).

257. See REGISTER’S REPORT, *supra* note 87 (reporting on congressional debates in 1961 regarding amendments to Copyright Act that did not pass until 1976).

258. See *infra* Part III.B.4 for a discussion of the benefits that a bright-line rule against compulsory licensing for ringtones will bring to the music market.

259. Section 101 states:

A “derivative work” is 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. 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.”

17 U.S.C. § 101 (2000). See *supra* Part II.C for a discussion the definition of derivative works and judicial interpretations of the definition.

260. See 17 U.S.C. § 101 (defining “derivative work” as work that has been created from preexisting work in which the original work has been “recast, transformed, or adapted”).

261. See *id.* (giving examples of derivative works, one of which is abridgment).

262. An abridgment is defined as a “condensation; contraction” or “[a]n epitome or compendium of another and larger work, wherein the principal ideas of the larger work are summarily contained.” *Twin Peaks Prods., Inc. v. Publ’ns Int’l, Ltd.*, 996 F.2d 1366, 1375 (2d Cir. 1993) (citing 1 *BOUVIER’S LAW DICTIONARY* 91 (3d rev. 1914)).

263. See, e.g., *Campbell v. Lavery*, No. 95-15967, 1997 WL 21206, at *2 (9th Cir. Jan. 14, 1997)

an abridgment as a “condensation; contraction” or “[a]n epitome or compendium of another and larger work.”²⁶⁴ Ringtones are usually short snippets of the most popular portions of a song, such as the hook.²⁶⁵ It seems that a short snippet of the most important part of a song meets the definition of an abridgment.

The Register’s requirement that a ringtone exhibit a level of originality to be considered an infringing derivative work²⁶⁶ is misplaced. The Register chose to apply the creativity requirements of *Feist Publications, Inc. v. Rural Telephone Service Co.*²⁶⁷ and *Woods v. Bourne Co.*²⁶⁸ in her analysis.²⁶⁹ While *Feist* is controlling Supreme Court precedent on a mandated showing of originality in order for a derivative work to qualify for copyright protection,²⁷⁰ it does not speak to whether this originality is required for a derivative work to constitute copyright infringement of the preexisting work. Because section 115 only applies to a copyright owner’s exclusive rights of distribution and reproduction, it cannot be used to grant rights to prepare derivative works.²⁷¹ Therefore, the only relevant inquiry in determining whether section 115 excludes ringtones because they are derivative works is whether ringtones infringe the copyright holder’s derivative work rights.

It is irrelevant whether ringtones could also be independently copyrighted as derivative works by the producer because, contrary to existing precedent in the Second²⁷² and Seventh²⁷³ Circuits, a derivative work should not need to be independently copyrightable to infringe the derivative work right. Legislative history indicates that Congress did not intend the standards for infringement and protection of derivative works to be the same. In House Report Number 94-1476, on the passage of the Copyright Act of 1976, the Judiciary Committee explained that for infringement purposes, a derivative work need not be fixed in a tangible medium, which is a requirement for copyright protection under

(unpublished table opinion) (finding that derivative software work may be abridgment of another software program).

264. *Twin Peaks Prods.*, 996 F.2d at 1375.

265. See *Parks v. LaFace Records*, 329 F.3d 437, 452 (6th Cir. 2003) (defining “hook” as chorus of song).

266. Memorandum Opinion, *supra* note 15, at 64,310.

267. 499 U.S. 340 (1991). See *supra* notes 168-75 and accompanying text for a discussion of *Feist*.

268. 60 F.3d 978 (2d Cir. 1995). See *supra* notes 148-51 and accompanying text for a discussion of *Woods*.

269. Memorandum Opinion, *supra* note 15, at 64,310, 64,315.

270. *Feist*, 499 U.S. at 345-46 (declaring constitutional prerequisite for originality for copyright protection).

271. See 17 U.S.C. § 115 (2000 & Supp. IV 2004) (stating that, in nondramatic musical works, only exclusive rights granted by sections 106(1) and 106(3) are subject to compulsory licensing). See *supra* Part II.C.1 for a discussion of the exclusion of derivative works from compulsory licensing.

272. See *Woods*, 60 F.3d at 978, 990 (limiting derivative works to those that are independently copyrightable). See *supra* notes 148-51 and accompanying text for a discussion of *Woods*.

273. See *Gracen v. Bradford Exch.*, 698 F.2d 300, 305 (7th Cir. 1983) (finding no infringement of derivative work right because derivative work was not independently copyrightable).

section 102 of the Copyright Act.²⁷⁴ The Committee cited examples of ballets and other performances that cannot be copyrighted but that can infringe the derivative work's right.²⁷⁵ Thus, Congress did not intend for a derivative work to be independently copyrightable in order to infringe the derivative work's right.

The Second Circuit's and the Seventh Circuit's readings of the definition of derivative works in the Copyright Act to impose a requisite level of creativity are inappropriate because the definition's plain language does not dictate such a reading.²⁷⁶ The second sentence of the section 101 definition of derivative works can be read not to imply a standard of originality to derivative works but rather to give examples of derivative works, some of which are "original work[s] of authorship."²⁷⁷ If derivative works were required to be independently copyrightable in all circumstances, there would be no need for Congress to pass section 103(a) explicitly clarifying that derivative works can be independently copyrighted.²⁷⁸

The Register herself stated in her opinion that a ringtone is "by definition" a derivative work.²⁷⁹ Nevertheless, she countered that before a derivative work can infringe the derivative work right under section 106(2) it must be independently copyrightable.²⁸⁰ There is no language in section 106(2) that in any way indicates an altered definition of the derivative work right for infringement purposes.²⁸¹ Therefore, the Register was mistaken in her construction of the Copyright Act.

Under the more appropriate standard, adopted by the Ninth Circuit in *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*,²⁸² the originality requirement of *Feist* does not come into play in analyzing the status of derivative works for infringement purposes, because all that is required is that a derivative work "recast, transformed or adapted" the work.²⁸³ If this adaption, transformation, or recasting unlawfully uses a preexisting work, it is an infringing derivative work.²⁸⁴ Under the *Mirage* standard, there is no question that ringtones would infringe the derivative work rights of musical composition copyright owners because they create new versions of the composition. It does not matter if these new versions are independently copyrightable or not.

274. H.R. REP. NO. 94-1476, at 62 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5675; *see also* 17 U.S.C. § 102 (2000) (granting copyright protection to "original works of authorship fixed in any tangible medium of expression").

275. H.R. REP. NO. 94-1476, at 62.

276. *See* 17 U.S.C. § 101 (noting that derivative work may be mere modification of original work).

277. *Id.*

278. *See id.* § 103(a) (explaining that subject matter of copyright under section 102 includes derivative works).

279. Memorandum Opinion, *supra* note 15, at 64,310 n.80.

280. *Id.* at 64,310.

281. *See* 17 U.S.C. § 106(2) (authorizing copyright owner to prepare derivative works).

282. 856 F.2d 1341 (9th Cir. 1988).

283. *Mirage*, 856 F.2d at 1344 (quoting 17 U.S.C. § 101 (1982)).

284. *Id.* at 1343.

Even under the Register's adoption of the originality standard for infringing derivative works, ringtones would still meet the originality requirement because the creative judgment involved in the process of creating ringtones still meets the level of creativity required under *Feist*.²⁸⁵ The creation of a ringtone itself, involving the selection of a portion of the musical composition and the looping of portions of the composition,²⁸⁶ involves more than sufficient creativity to meet the constitutional requirement, which is "extremely low."²⁸⁷ In *Feist*, the Supreme Court announced that "even a slight amount [of creativity] will suffice. . . . 'no matter how crude, humble or obvious.'"²⁸⁸ The Court reasoned that a factual compilation was protected by copyright, even though the facts themselves could not be copyrighted, because they had been organized in an original way.²⁸⁹ Similarly, the creation of a ringtone, which involves creative selection and organization of a musical composition, meets the originality requirement to be considered independently copyrightable.²⁹⁰ The Register held that excerpts of music recordings made into ringtones lack the "original embellishments" necessary to meet the originality standard of independent copyrightability recognized in *Woods*.²⁹¹ What the Register failed to consider is that the standard articulated in *Woods* is inconsistent with the lower standard set by the Supreme Court in *Feist*.²⁹²

Most similar to ringtones, theatrical trailers for motion pictures, consisting of short clips of the full-length film, have been found to be infringing derivative works under the Copyright Act.²⁹³ For example, in *Video Pipeline, Inc. v. Buena Vista Home Entertainment, Inc.*,²⁹⁴ a federal court held that a trailer composed exclusively of selected scenes from a preexisting copyrighted motion picture, with no new content, constituted a derivative work.²⁹⁵ Similarly, a ringtone that

285. See 499 U.S. 340, 363 (1991) (stating that "copyright protects only those constituent elements of a work that possess more than a *de minimis* quantum of creativity"). See *supra* Part II.C.3 for a discussion of the conflicting originality standards articulated by the Supreme Court and the Second Circuit.

286. See Initial Brief, *supra* note 226, at 14-15 (discussing how ringtones are produced).

287. *Feist*, 499 U.S. at 345.

288. *Id.* (quoting NIMMER & NIMMER, *supra* note 173, § 1.08 [C][1]).

289. *Id.* at 349.

290. Although the derivative work would be independently copyrightable, the copyright protection would be extremely thin, as noted in *Feist*, because the copyright would only extend to the method of arrangement used, not to any portion of the underlying work. *Id.* at 349-50.

291. Memorandum Opinion, *supra* note 15, at 64,310, 64,315; see also *Woods v. Bourne Co.*, 60 F.3d 978, 990 (2d Cir. 1995) (declaring that there must be at least some substantial variation to musical composition to constitute derivative work, not just trivial variations).

292. See Page, *supra* note 159, at 421-22, 424 (arguing that *L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486 (2d Cir. 1976) (en banc), on which *Woods* relied, is inconsistent with *Alfred Bell* and imposes too high of originality standard).

293. See, e.g., *Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc.*, 192 F. Supp. 2d 321, 331 (D.N.J. 2002) (determining that two-minute clip previews of copyrighted movies were likely derivative works), *aff'd on other grounds*, 342 F.3d 191 (3d Cir. 2003); *Lamb v. Starks*, 949 F. Supp. 753, 755-56 (N.D. Cal. 1996) (finding movie trailer to be derivative work of full-length movie).

294. 192 F. Supp. 2d 321 (D.N.J. 2002), *aff'd on other grounds*, 342 F.3d 191 (3d Cir. 2003).

295. *Video Pipeline, Inc.*, 192 F. Supp. 2d at 330-31.

selects portions of a preexisting musical composition and, in the case of a mastertone, the accompanying sound recording, to be showcased in a shortened version constitutes a derivative work.

In her decision, the Register adopted the RIAA's view that the movie trailer cases were "of marginal relevance" because the selection of scenes for a theatrical trailer involves "a greater degree of editorial judgment" than the selection of portions of a song to use in a ringtone.²⁹⁶ This conclusion is unfounded. As evidenced by the massive market for ringtones in which multiple tones of the same song may be available showcasing different portions of the song or different reorderings and lengths of snippets,²⁹⁷ creating ringtones involves editorial skill and judgment to select which portions of the song will appeal most to customers and sound best as a cell phone ring.²⁹⁸ The Register had no basis for declaring that this process involved less editorial judgment than the creation of movie trailers based solely on clips from a full-length motion picture.

2. Ringtones Are Not Permissible Arrangements Under Section 115(a)(2)

As derivative works, the only way ringtones could still qualify for compulsory licensing is under the arrangement exception of section 115(a)(2).²⁹⁹ Ringtones, however, do not qualify for this exception because they are not "musical arrangement[s]," and even if they were, they alter the fundamental character and basic melody of the underlying musical work, which is not permitted by the arrangement exception.

A musical arrangement, as defined by the Register in her decision, refers to the "process or result of readjusting a work for performance by different artistic means from that originally intended. . . . with only those modifications demanded by the limitations or peculiarities of the medium in view."³⁰⁰ In creating ringtones, providers make modifications well beyond those necessary to adapt to the new medium.³⁰¹ The RIAA argued, and the Register agreed, that ringtones qualify as musical arrangements because they involve modifying the musical composition, by shortening its length, to adapt to the limited memory of cell phones.³⁰² This reasoning is flawed because most phones are now capable of downloading and playing full-length songs, yet demand for ringtones has

296. Memorandum Opinion, *supra* note 15, at 64,311.

297. Oral Argument, *supra* note 1, at 20 (noting that there are nine or ten ringtone versions for "My Humps" by the Black Eyed Peas available for purchase at various lengths and content).

298. See Initial Brief, *supra* note 226, at 14 (describing skill and creative judgment involved in crafting ringtones).

299. 17 U.S.C. § 115(a)(2) (2000). See *supra* Part II.C.1 for a discussion of the arrangement exception as the only exception to the exclusion of derivative works under section 115.

300. Memorandum Opinion, *supra* note 15, at 64,314 (quoting THE NEW ENCYCLOPEDIA OF MUSIC AND MUSICIANS, *supra* note 121, at 11).

301. See Initial Brief, *supra* note 226, at 14-15 (explaining process of making ringtones).

302. Memorandum Opinion, *supra* note 15, at 64,313-14.

increased.³⁰³ This demand evidences that ringtones are not just arrangements necessary to allow songs to be played on cell phones but rather are distinct variations of musical compositions to serve a separate market demand for products different from traditional song downloads. As such, ringtones are not “arrangement[s]” under section 115(a)(2) but are derivative works outside the scope of the compulsory license.³⁰⁴

Even if ringtones were “arrangement[s]” of the preexisting musical composition, they still would not fall within the limited class of arrangements permitted by section 115(a)(2).³⁰⁵ That exception only applies to arrangements that do not “change the basic melody or fundamental character of the [original] work.”³⁰⁶ By deleting substantial portions of the underlying musical composition and, in some cases, reordering portions of the song, ringtones not only change, but remove portions of, the melody of the underlying works. A ringtone composed of a five-, ten-, or twenty-second clip of a sound recording cannot be said to reflect the basic melody of the entire piece. For example, a ten-second ringtone of Queen’s “Bohemian Rhapsody”³⁰⁷ could not possibly capture the basic melody of the classic song. Many providers offer a ringtone of the well-known, fast-paced portion of the “Bohemian Rhapsody” that does not reflect the basic slow melody of the rest of the composition.³⁰⁸

The Register, however, agreed with the RIAA that a ringtone does not alter the basic melody of a musical composition, even if it is only a small portion of the piece, because ultimately ringtones seek to emulate the original composition.³⁰⁹ While this interpretation does not comply with most definitions of a musical arrangement,³¹⁰ it still does not entitle ringtones to compulsory licensing because the exception expressed in section 115(a)(2) places two limitations on the permissible arrangements—they cannot change the basic melody *or the fundamental character* of the underlying composition.³¹¹ Congress added this limitation to prevent a composition from being “perverted, distorted, or travestied” through use of the compulsory license.³¹² Congress failed to provide more insight into the standard for this limitation, and there is no case law on its

303. See *id.* at 64,305 (acknowledging that because of technological advances, most cell phones can now play full songs).

304. See *supra* Part III.A.1 for a discussion of why ringtones are derivative works.

305. 17 U.S.C. § 115(a)(2) (2000).

306. *Id.*

307. “Bohemian Rhapsody” is featured on Queen’s 1975 release, “A Night at the Opera.” QUEEN, *Bohemian Rhapsody, on A NIGHT AT THE OPERA* (Elektra Records 1975).

308. See, e.g., Thumbplay.com, Queen Ringtones, <http://ringtones.thumbplay.com/Queen-ringtones> (last visited June 1, 2008) (featuring ringtone from “Bohemian Rhapsody” containing this short portion entitled “I See A Little Silhouette [sic] Of A Man”).

309. Memorandum Opinion, *supra* note 15, at 64,314-15 (reasoning that ringtones are created with intent of bringing to mind original song rather than deviating from it).

310. WEBSTER’S NEW WORLD DICTIONARY 32 (Neufeldt ed., 1995) (defining musical arrangement as “an arranging of a composition” and musical arranging as “adapt[ing] (a composition) to particular instruments or voices”).

311. 17 U.S.C. § 115(a)(2).

312. H.R. REP. NO. 94-1476, at 109 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5724.

interpretation. Despite this lack of guidance, common sense indicates that converting a musical composition into a brassy, looping telephone ring certainly changes the fundamental character of the composition.³¹³ Composers write songs to be enjoyed by listeners in their full length and on real musical instruments, not for use in utilitarian consumer products.³¹⁴ It is likely that no musician would agree that Beethoven's symphonies (among the most popular ringtones) retain their fundamental character when reduced to short clips of beeps and looped to serve as a utilitarian phone ringer.³¹⁵ Thus, ringtones should fail to fall within the arrangement exception and be found to be infringing derivative works for which a license is required.

3. Ringtones Do Not Meet the Private Use Requirement

Compulsory licensing is also unavailable to ringtones because they are inherently intended for public play and therefore fail to meet the private use requirement of section 115(a)(1).³¹⁶ That section requires that the compulsory licensee's "primary purpose in making phonorecords [be] to distribute them to the public for private use."³¹⁷ The Copyright Act does not provide a definition of "private use," but legislative history indicates that it refers to private listening in homes or cars.³¹⁸ When Congress was drafting the provisions of section 115 for the 1976 Copyright Act, the Register of Copyrights suggested that the license be available only to phonorecords distributed for "private home use."³¹⁹ The word "home" was ultimately omitted from the statute because Congress recognized that it was common for members of the public to purchase music for listening in their cars as well and did not want this practice to prevent distributors from using the compulsory license.³²⁰ Thus, Congress intended to limit compulsory licensing to distributions of a noncommercial nature that are primarily intended for private listening by the purchaser and others in his or her home or car.³²¹ While there is always the potential that the purchaser of a phonorecord such as a CD or MP3 could play it in public, this practice cannot be controlled by the distributor and therefore the compulsory license focuses on the "primary purpose" of the

313. See Initial Brief, *supra* note 226, at 16-17 (explaining many ways in which ringtones alter character of composition).

314. *Id.* at 16-17.

315. *Id.* at 17.

316. 17 U.S.C. § 115(a)(1).

317. *Id.*

318. See *supra* note 93 and accompanying text for an explanation of why Congress chose the language "private use" rather than the more limiting "private home use" phrase suggested by the Register.

319. REGISTER'S SUPPLEMENTAL REPORT, *supra* note 93, at 55.

320. H.R. REP. NO. 90-83, at 68.

321. See H.R. REP. NO. 94-1476, at 108 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5723 (concluding that scope of compulsory license requirement does not reach manufacturers of phonorecords that are intended primarily for commercial use, including broadcasters, jukebox operators, and background music services).

compulsory licensee rather than the actions of the public.³²²

Cell phone ringtones, as opposed to CDs and MP3s, do not just have the possibility of being used in public but rather are inherently intended for public use. If the sole purpose behind a ringtone was to listen to the song being played, there would be no reason to purchase a ringtone instead of a CD or MP3, which can easily be played on a portable music player or even a cell phone.³²³ Ringtones are distributed with the primary functional purposes of signaling incoming phone calls to the cell phone owner³²⁴ and playing in public in order to convey a message about the phone owner's personality and interests.³²⁵ For example, one might choose a ringtone of Beethoven's "Fifth Symphony" to indicate that he likes classical music and is an intellectual, or one might choose a ringtone of Justin Timberlake's "SexyBack" to show that she is trendy and aware of the latest popular music. When these cell phones ring in public, these are the impressions that the phone owners hope to create. The use of a ringtone as a fashion accessory and form of personal expression has been recognized as a growing phenomena, with scholars reasoning that "[a] personalized ring tone not only allows for the immediate identification of an incoming call . . . but also makes a personal statement of musical taste."³²⁶ Another journalist remarked that ringtones are "another way to express one's tastes and personality."³²⁷ Even *Forbes* published an article entitled "What Does Your Ringtone Say About You?"³²⁸

Perhaps the strongest support for a finding that ringtones are not intended for private use is the fact that PROs,³²⁹ which collect public performance royalties for musical composition copyright owners, currently collect royalties from ringtone sales.³³⁰ PROs generally license the right to perform a copyrighted musical work publicly to organizations and venues where public performances take place, such as concert venues.³³¹ PROs claim that the ringing of a cell phone ringtone is a public performance of the copyrighted musical composition and demand that royalties be paid to license the public performance right.³³² If

322. See 17 U.S.C. § 115(a)(1) (requiring that compulsory licensee's "primary purpose" be to distribute phonorecords for private use).

323. See *supra* note 303 and accompanying text for a discussion of cell phones' ability to play full-length songs.

324. See Memorandum Opinion, *supra* note 15, at 64,305 (adopting RIAA's definition of ringtones as "a digital file, generally no more than [sic] 30 seconds in length, played by a cellular phone or other mobile device to alert the user of an incoming call or message").

325. See *supra* note 200 discussing the personal aspects of ringtones.

326. Rosini & Rudell, *supra* note 200.

327. Bitting, *supra* note 200.

328. Ewalt, *supra* note 200 (noting that "a person's choice of ringtone might speak volumes about his or her personality").

329. See *supra* note 50 for an explanation of PROs and what they do.

330. See Masur & Chitrakar, *supra* note 176, at 152 (explaining that PROs collect two to three percent royalty on each ringtone).

331. SCHULENBERG, *supra* note 28, at 366.

332. Carmen Kate Yuen, Comment, *Scuffling for a Slice of the Ringtone Pie: Evaluating Legal and Business Approaches to Copyright Clearance Issues*, 8 VAND. J. ENT. & TECH. L. 541, 543 (2006).

ringtones are public performances of musical compositions, a view that PROs assert and ringtone providers acquiesce to in paying the performing rights royalty, then it simply does not follow that they are intended for private use. In her decision, the Register dismissed the claims that ringtones are intended for public use by equating their public performances to the use of a loud boom box or car stereo to play a CD.³³³ This reasoning is flawed, however, because it fails to recognize that unlike a CD, which can be played in public but is still primarily distributed for private use, a ringtone is distributed with the primary intention that it be played in public as a personal statement.

4. Excluding Ringtones from Compulsory Licensing Is Consistent with Congressional Intent Behind Section 115

Had Congress envisioned a market for cell phone ringtones when drafting amendments to the compulsory license provision, it likely would not have considered such ringtones to be within the scope of section 115.³³⁴ Legislative history consistently refers only to full length-works when debating the compulsory license, never mentioning parts or portions of works.³³⁵ The compulsory license under section 115 acts as an exception to the general rights enjoyed by copyright owners.³³⁶ As such, courts have held that it should be narrowly construed “lest the exception destroy, rather than prove, the rule.”³³⁷ In 1976, when Congress debated repealing the compulsory license but ultimately decided to retain it, Congress was careful to limit the license’s scope to narrow circumstances. While the 1995 DPRSA amendments to section 115 did extend the compulsory license to cover DPDs, it kept in place all of the statutory requirements that must be met before a compulsory license will be granted.³³⁸ These infrequent, nonexpansive amendments reinforce the courts’ decisions to narrowly construe the Act. The above narrow construction of section 115 is consistent with this history.

333. Memorandum Opinion, *supra* note 15, at 64,316.

334. See S. REP. NO. 104-128, at 37 (1995), *reprinted in* 1995 U.S.C.C.A.N. 356, 384 (reviewing mechanical reproductions for which compulsory license can be utilized as compact discs, vinyl records, and cassette tapes and including DPDs in definition of mechanical reproductions).

335. See *id.* (discussing application of compulsory license provision to phonorecords without making referring to parts or portions of phonorecords).

336. *Fame Publ’g Co. v. Ala. Custom Tape, Inc.*, 507 F.2d 667, 670 (5th Cir. 1975).

337. *Id.*; see also *Fred Ahlert Music Corp. v. Warner/Chappell Music, Inc.*, 155 F.3d 17, 24 (2d Cir. 1998) (noting narrow scope of compulsory license at issue); *Edward B. Marks Music Corp. v. Colo. Magnetics, Inc.*, 497 F.2d 285, 288 (10th Cir. 1974) (reasoning that compulsory license exception “should be strictly construed to the end that an exception does not devour the general policy which a law may embody” (citing *Shilkret v. Musicraft Records, Inc.*, 131 F.2d 929 (2d Cir. 1942))).

338. See *supra* Part II.B.2 for a discussion of the limitations placed on the compulsory license by the 1976 amendments and the 1995 amendments to section 115.

Rather than construing section 115 narrowly, the Register's decision expands the compulsory license well beyond its original intent. The original purpose behind the compulsory license was to grant copyright owners the right to make mechanical reproductions of their musical compositions, while limiting their ability to grant exclusive licenses of the right, in order to prevent a publishing monopoly.³³⁹ At the time, the mechanical reproductions in question were piano rolls, used for replaying full-length compositions on a piano.³⁴⁰ Over time, mechanical reproductions have evolved to include vinyl records, cassette tapes, compact discs, and digital downloads of music.³⁴¹ Ringtones are fundamentally different than these reproductions contemplated by Congress in that they are not simply reproductions of the musical composition but are truncated, and sometimes reordered, versions of the work used for a functional purpose beyond basic listening. If the compulsory licensing provision can be used for ringtones, what is to stop it from being applied to other functional uses of musical compositions such as doorbells, toys, or more? The Register has now opened the door to this functional use of compositions, which is well beyond what Congress likely envisioned when granting the compulsory license in section 115.

B. A Judicial Ruling Denying Compulsory Licensing to Ringtones Is Necessary

1. The Problem: The Register's Decision Fails to Provide a Solution

The Register's decision fails to provide a real solution to the issue because it simply reiterates the concept that if a ringtone is a derivative work it cannot be licensed through section 115. By providing only minimal guidance as to what is necessary for a ringtone to qualify as a derivative work, the Register's decision in fact adds more confusion and misunderstanding to the growing dispute. The decision draws a line between those ringtones that qualify for compulsory licensing as nonderivative works and those that do not qualify for compulsory licensing based only on a broad legal definition of derivative works.³⁴² This line is arbitrary and will breed additional confusion in the market. The Register noted that "[a]t one end of the spectrum are those ringtones that are simple excerpts of larger musical works"³⁴³ and thus are not derivative works, while at the other end are "ringtones that contain additional original authorship"³⁴⁴ which may constitute derivative works. These phrases shed no real light on where many ringtones fall on this spectrum because it is unclear what exactly constitutes

339. See *supra* Part II.B.1 for a discussion of Congress's original intent to avoid a monopoly in the music industry through the compulsory license.

340. *White-Smith Music Publ'g Co. v. Apollo Co.*, 209 U.S. 1, 9 (1908) (describing piano rolls and challenge they presented to copyright law).

341. S. REP. NO. 104-128, at 37 (1995), *reprinted in* 1995 U.S.C.C.A.N. 356, 384.

342. Memorandum Opinion, *supra* note 15, at 64,303.

343. *Id.* at 64,313.

344. *Id.*

“additional original authorship.”³⁴⁵ Thus, disputes over ringtone licensing will continue, and probably intensify, as arguments turn to whether a ringtone consists of mere excerpts or original authorship.

The Register was at a disadvantage in making this ruling because she did not have the benefit of factual findings and expert witnesses and, therefore, could not be more specific. This lack of specificity is not surprising, considering that whether a work constitutes a derivative work and whether the requisite level of originality for copyright protection has been satisfied in a work are questions of fact, not questions of law.³⁴⁶ Thus, the Copyright Office was not the proper venue for a determination of this issue. The Register could not address whether the excerpts of sound recordings that do not constitute derivative works must be from a particular part of the song, such as the hook, whether they must be contiguous, or whether they may be looped or reordered. These issues cannot be answered without factual findings, and the Register herself noted that where ringtones fall on the spectrum between derivative and nonderivative works cannot be decided in a “factual vacuum” and will have to be decided by courts on a case-by-case basis.³⁴⁷ Therefore, this decision lacks any real utility for clarifying the complex ringtone licensing issue and only adds to the confusion and contention already rampant in the industry.

2. A Bright-Line Rule Will Provide Clarity and Efficiency

A judicial ruling on the application section 115’s compulsory licensing provision to ringtones seems imminent.³⁴⁸ When a case is brought, the presiding court will have a unique opportunity to use copyright law to simplify, rather than complicate, matters for the music industry. By ruling that section 115 does not apply to cell phone ringtones for the above reasons,³⁴⁹ the court can create a bright-line rule that will end litigation on this issue, rather than only attempting to fit cell phone ringtones into a statutory scheme that was not drafted with such technology in mind. Like the Supreme Court in *White-Smith Music Publishing Co. v. Apollo Co.*,³⁵⁰ which refused to fit piano rolls into the then-current Copyright Act and instead indicated that Congress would have to change the current Copyright Act to accommodate new technologies,³⁵¹ the court presented with the impending ringtone case should do the same. The provisions of the Copyright Act should not be bent and stretched to fit new technologies but rather should be amended by Congress to clarify its ambiguities with regard to

345. *Id.*

346. See *Woods v. Bourne Co.*, 60 F.3d 978, 991 (2d Cir. 1995) (declaring that determining if work is derivative work involves finding of facts comparing two works); Reytblat, *supra* note 160, at 212 (concluding that originality in context of copyright protection is question of fact).

347. Memorandum Opinion, *supra* note 15, at 64,313.

348. See *supra* notes 239-44 and accompanying text for HFA’s cryptic statements implying that it will bring litigation challenging the Register’s decision.

349. See *supra* Part III.A for an explanation of why cell phone ringtones are not subject to compulsory licensing under the Copyright Act.

350. 209 U.S. 1 (1908).

351. *Apollo Co.*, 209 U.S. at 18.

new technology, such as ringtones.³⁵²

3. Potential Bases for a Bright-Line Rule

There are many legal bases on which a court can rely in denying compulsory licensing to ringtones. First, the court could find that all ringtones constitute derivative works under the Ninth Circuit *Mirage* precedent,³⁵³ which requires only that a work create a new version of the underlying copyrighted work to qualify as a derivative work.³⁵⁴ Alternatively, the court could accept the Seventh and Second Circuit precedents holding that derivative works must be independently copyrightable to infringe the derivative work right³⁵⁵ and find that all ringtones meet the requisite level of originality for copyrightability and therefore are derivative works. These options are the least attractive options for a bright-line rule, however, because they potentially leave the door open to the challenging argument that derivative work status and originality should be determined by fact findings on a case-by-case basis.

A better alternative basis for a bright-line rule excluding ringtones from compulsory licensing would be a finding that all ringtones either are not arrangements as intended under the arrangement exception in section 115(a)(2)³⁵⁶ or that they may be arrangements but still are excluded from the arrangement exception because converting a musical composition to a utilitarian, functional product used to signal incoming phone calls always changes the fundamental character of the underlying work.³⁵⁷ Using these bases for a bright-line rule would be preferable to delving into a derivative works analysis because these grounds are less open to the criticism that each individual ringtone should be analyzed to determine if it meets a particular standard. These bases, however, still do not represent the best justification for a bright-line rule because there is the potential for argument that some ringtones are permissible arrangements while others are not, depending on the amount of changes made to the musical composition. This argument presents the opportunity for additional litigation on the issue.

The best basis on which to create a bright-line rule denying compulsory licensing to ringtones is a determination that ringtones do not meet the private use requirement of section 115(a)(1).³⁵⁸ Because this argument applies to all

352. Congress is aware of the problems presented by ringtones and other new technologies and has held hearings on possible amendments to section 115. See generally *SIRA Hearing*, *supra* note 246 (discussing continuing efforts to reform section 115 of the Copyright Act); *Licensing Hearing*, *supra* note 246 (debating methods of updating compulsory music licenses).

353. See *supra* Part III.A.1 discussing why ringtones are derivative works under this standard.

354. *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341, 1343-44 (9th Cir. 1988).

355. See *supra* Parts II.C.2-3 discussing the precedents on derivative works in the Seventh and Second Circuits.

356. See *supra* notes 299-304 and accompanying text for a discussion of why cell phone ringtones are not arrangements.

357. See *supra* notes 304-15 and accompanying text for a discussion of why ringtones change the basic melody and fundamental character of the underlying musical compositions.

358. 17 U.S.C. § 115(a)(1) (2000). See *supra* Part III.A.3 for an analysis of why ringtones do not

ringtones, regardless of their composition, it closes the door to an argument that case-by-case consideration of each ringtone is needed. If the nature of ringtones as public personal statements takes them outside the scope of “private use,” which it arguably does, then all ringtones are excluded from compulsory licensing. This basis best serves the purpose of a bright-line rule because it creates a definite answer on the issue that is not open to individual reconsideration.

4. Benefits of a Bright-Line Rule

A bright-line rule against ringtones will benefit the music industry by bringing the clarity and efficiency that many hoped the Register’s decision would bring.³⁵⁹ Unlike the conditional rule articulated by the Register, an absolute rejection of section 115 will prevent endless litigation and negotiations over whether a particular ringtone can be classified as a derivative work. This will save resources for all parties involved, even the judiciary. By facilitating quicker negotiations and avoiding litigation, a bright-line rule against applying section 115 to ringtones will also bring ringtones to market faster to the benefit of publishers, the RIAA, and consumers.

IV. CONCLUSION

In conclusion, it is likely that music industry power players will once again gather with their attorneys to battle on the issue of ringtone licensing. This time, however, it is likely that they will be in a court of law. When faced with this copyright dilemma, the judge presiding over the debate should disregard the Register’s decision that ringtones are subject to compulsory licensing under section 115. The Register’s decision was incorrect and represents an overly broad reading of section 115 that is not supported by the statutory language or legislative history. Additionally, by holding that some ringtones are subject to compulsory licensing while others are not, depending on each ringtone’s status as a derivative work, the Register’s decision fails to provide a clear answer and opens the door to disagreement and litigation regarding whether each ringtone does qualify as a derivative work.

In the alternative, the court petitioned should find that ringtones are not subject to compulsory licensing under section 115. A close reading of section 115 and an examination of the legislative history lead to the conclusion that ringtones are never subject to compulsory licensing because they are derivative works rather than permissible arrangements under section 115(a)(2), and they do not meet the private use requirement of section 115(a)(1). Based on these conclusions, the best solution to the problem presented by compulsory licensing of ringtones, until Congress amends section 115, is a judicial declaration of a bright-line rule that ringtones are outside the scope of section 115 for all of these

meet the private use requirement.

359. See *supra* notes 239-40 and accompanying text for a discussion of the RIAA’s statement that the decision would clarify the market.

reasons and therefore ringtone licenses must continue to be negotiated in the free market. Such a bright-line rule will bring clarity to the situation and benefit all parties involved by promoting efficiency and avoiding excessive litigation.

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