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"Copyright's Derivative Works Doctrine and an Upside-Down Proviso"

PRELIMINARY DRAFT: please do not quote or cite

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Introduction

It is sometimes observed that questions of "justice in acquisition" do not much arise any more. However, judges face those questions on a daily basis in courtrooms adjudicating copyright and patent matters. In United States copyright law, for example, an intriguing dilemma regarding derivative works has developed that raises what appears to be a new issue regarding John Locke's sufficiency proviso.

Many commentators and sometimes even courts look to Lockean theory as a source to justify the award, protection, or limitation[2] of property in intangibles. Thus, for example, the United States Supreme Court referred to chapter five of Locke's *Second Treatise* as authority for holding that a trade secret could be property.[3] It therefore can be useful as well as interesting to trace what implications Locke might hold for law.

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[1] Thanks are owed to Larry Becker, Laura Biron, Abraham Drassinower and Hillel Steiner for comments. This draft does not yet show all the benefits of their suggestions. The draft was initially presented at the American Philosophic Association as part of a panel dedicated to Larry Becker's work. I also appreciate the assistance of research assistant Boris Milman. Valuable background (though not on the Lockean proviso) appeared in a draft Mr. Milman and I coauthored, entitled *Derivative Rights and the Rule of Law: Judge Posner and Copyright.*

[2] See, e.g., GOPAL SREENIVASAN, THE LIMITS OF LOCKEAN RIGHTS IN PROPERTY (1995). My own prior contribution has also focused on suggesting how Lockean theory should *limit* the scope of legitimate copyright claims. Gordon, *A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property*, 102 YALE LAW JOURNAL 1533 (1993).

[3] See, e.g., Ruckelshaus v. Monsanto, 467 U.S. 986 at 1002-03 (1984) ("This general perception of trade secrets as property is consonant with a notion of "property" that extends beyond land and tangible goods and includes the products of an individual's "labour and invention." 2 W. Blackstone, Commentaries *405; see generally J. Locke, The Second Treatise of Civil Government, ch. 5 (J. Gough ed. 1947).")

The labor theory of property which Locke presents in chapter five has varying interpretations. One such interpretation goes as follows:[4] Locke sees it as foundational to natural law that people should avoid doing unjustified harm to each other. A person owns herself and her labor. If she mixes her labor with something not privately owned, and a third party takes the mixture from her, the laborer "loses" the labor and is harmed. Therefore, others are under a moral duty not to take the mixture from her. Their duty to refrain is equivalent to her having a right to exclude, and the right to exclude is a hallmark of property. The mixture is now "owned" by her. However, the putative owner is also obliged to do no harm. If her claim of ownership would hurt others—if it would fail to leave them with "enough, and as good"[5] of the plenitude that Locke believed God gave all of us in common—then her claim of ownership must fail. The latter condition of leaving "enough, and as good" is usually known as the "sufficiency proviso".

Virtually every element of this brief description can be and has been contested. Yet US copyright law seems to raise a new issue, one which as far as I know has not yet been explored in Locke scholarship. Historically, the proviso is seen as protecting the non-propertied, particularly later generations, who have not yet appropriated a share of the common. Can and should the sufficiency proviso also be used to protect pre-existing property owners from diminution in value? To put it otherwise: for those (like me) who think the sufficiency proviso is and should be a meaningful constraint on the grant of property, should the requirement of leaving "enough, and as good" be seen as temporally bi-directional? As we shall presently see, the issue arises out of copyright's derivative work doctrine.

The relevant fact pattern arises roughly in this temporal sequence:

First, someone has a valuable copyrighted work (let us call him the "parent"), and he commissions derivative works to be made: Perhaps the parent hires someone to make

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[4] Here I follow much of the argument in Gordon, supra note __, at 1544- 72.
[5] Second Treatise, Chapter V, at Sec. 27.

costumes, posters, photographs, or advertisements based on the parent's copyrighted work. Let's call the person who makes these derivatives with the parent's permission a 'descendant' author.

Second, the contract between the parent and the descendant does not require the copyright in any resulting derivative works to be assigned back to the parent. The parent could have required this—after all, the derivative work would have been unlawful if made without the parent's permission, so the parent had a great deal of leverage—but for some reason the contract is silent.

Under prevailing US law, although any mere duplication of the original work will not give a new copyright to the descendant, additions and variations on the original can be owned by the licensed descendant as a derivative work ("DW") type of copyright. The copyright in a derivative work based on a copyrighted work is quite limited: the DW copyright merely allows its holder to exclude other people from copying his contribution; anyone wanting to copy the whole (that is, the base work *with* its additions) would also need permission from the parent as owner of copyright in the base work. But the limited nature of the DW holder's rights does not mean the parent needn't be worried about the derivative work having copyright. If the descendant's derivative work has copyright, the parent (or his new licensees) would need the descendant's permission to use the copyrighted variations. Nevertheless, the contracts are often silent as to who owns copyright in the derivative works (DWs).

Third, the descendant uses creativity to make the adaptations requested. Under ordinary copyright law, as mentioned, people get copyrights in their additions/variations if they make creative derivative works lawfully—and the derivatives in these decided cases are lawful because authorized by the parent. So under ordinary US copyright law, the descendants would have copyright in their creative adaptations— arguably, say, if the descendant in making a costume based on a cartoon character puts a new expression on

the otherwise familiar cartoon face.[6] Under many US cases, such a change would be copyrightable.[7]

Then for some reason the parties disagree and a fourth stage arises: the parent decides to fire the particular descendant who has been making derivative works, and switches to a new creative supplier of DWs.

Fifth, the new creative supplier is alleged to take advantage of the variations and creativity of the initial derivative work maker. The latter may sue, basically arguing that he (the first creative supplier) owns copyright in these variations, and that the new (second) derivative-work maker should not use the first supplier's creative designs.

At this point the Second and Ninth Circuits have intervened on behalf of the original parent and his new supplier to deny copyright to the initial descendant; the first descendant gets no copyright in the variations contained in the DW he has made.[8] As reasons for intervention, the courts cite concerns that even if the parent's brand-new supplier doesn't copy any of the creative elements added by the initial descendant, there will still be inevitable overlaps in the works' appearance because both the initial

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[6] See footnote 8, infra.

[7] See, e.g., Eden Toys, Inc. v. Florelee Undergarment Co., 697 F.2d 27, 34-35 (2d Cir.1982) (minor changes in Paddington Bear copyrightable.)

[8] Durham Industries, Inc., v Tomy Corp., 630 F.2d 905 (2nd Cir 1980) (hereinafter "Durham v. Tomy"); Entertainment Research Group, Inc. v. Genesis Creative Group, Inc., 122 F.3d 1211, 1219-20 (9th Cir. 1997) (hereinafter "ERG"). The interventions by these circuits have been in borderline cases. Had a fully distinct and separable addition been made by the derivative-work maker—such as painting a flower design on the side of a Barney the Dinosaur costume-- it is likely that even these Circuits would have upheld the derivative work makers' copyright. For anything less obvious, the courts seemed to strain to avoid copyright. For example: In *ERG,* the court wrote:

> ERG claims that the facial expressions of the costumes contain more than merely trivial differences from the facial expressions seen in the underlying drawings. Although ERG is correct that there are some differences in these facial expressions, no reasonable trier of fact would see anything but the underlying copyrighted character when looking at ERG's costumes.

122 F.3d 1211 at 1223. With all respect, the second sentence appears to me a non-sequitur.

descendant's work, and the new descendant-supplier's work, will be based on the same work by the parent.

So the new supplier might worry that a lawsuit, even unjustified, might have enough surface plausibility to require an expensive jury trial and enough potential for error that liability could be imposed. The parent might thus find it hard to locate a new creative supplier, and reluctant for the same reasons (fear of lawsuits by the initial descendant) to undertake the making of the DW itself. The end result may be a reduction in the value of the initial work, which is no longer as capable of being exploited in derivative form as it was before.

**Comment [DL1]:** Thankfully we don't have jury trials in Canada in civil matters (except for defamation)!

One might put the question this way: Should courts make it more difficult for DW makers to get copyright in what they make when they are building (with permission) on a copyrighted work that someone else owns, on the supposed ground that the DW copyright might make the built-upon work less valuable?[9]

The Second and Ninth circuit federal appeals courts have responded to this with a 'yes'. They use two devices:

First, they sometimes manipulate the standard of originality required as a precondition for the derivative work to have copyright. That is, when the base work's copyright is privately owned, these courts require more originality as a precondition for DW copyright, as compared to the degree of originality the courts require when the base work is something like a play or statue whose copyright has expired. This is not the focus of the instant paper.

**Comment [DL2]:** As we don't have the DW doctrine in Canada, our treatment of this matter will likely proceed along originality analysis.

The second device, and my focus, is the following judge-made rule: "To support a copyright [in] the original aspects of a derivative work... [The copyright in that

[9] As suggested earlier, under US copyright law, a DW copyright would enable the DW copyright holder to sue someone who copied him, but would not give him the ability to make duplicates of the derivative work unless he obtained the consent of the parent who owns of the underlying base work. That is: someone wanting to copy a work that embodies the copyrights of two people (here, the parent and the first DW) needs to obtain permission from both.

derivative work] must not in any way affect the scope of any copyright protection in that preexisting material."[10] This is known as the *Durham* test. Although the *Durham* test uses the word "scope", the fact patterns in the cases make clear that the concern is really not about 'affecting the scope' of the preexisting material's protection, but rather with the preserving the *value* of the preexisting material. Putting it another way: at issue is the parent's *ability* to exploit and profit from the formal incidents of ownership a la Honoré[11], and not with the *existence* of those formal incidents of ownership.

Comment [DL3]: Value: Is this clear from the reading from the test?

II Resemblance to the proviso

Both through the requirement of extra originality, and through the so-called *Durham* test of 'avoiding interference with the underlying copyright', these Circuit courts are refusing to grant later comers property in their creative works, the reason being the courts' deference to earlier-arising property. This sounds as if the courts are taking Locke's sufficiency proviso—namely, that private property not arise unless the private claim would leave "enough, and as good" for others-- and applying the sufficiency proviso in an upside-down sort of way: Although the proviso is usually understood to shelter the opportunities of the nonpropertied and later generations, the courts seem to be using the sufficiency proviso to also shelter the acquired value accrued to the already-propertied. I take my task to be investigating whether such a 'bi-directional' or upside down proviso makes sense.

Admittedly, even if I answer this general question, it may not resolve the specific case of how a Lockean might treat copyright in derivative works. The litigated cases I mentioned may be a special case, since the later laborers were directly building on the earlier comers' effort, and there is a statutory provision (17 USC sec 103(b))[12] which can

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[10][10] Durham v. Tomy, 630 F.2d 905 at 909, quoted and followed with approval in ERG, 122 F.3d 1211 at 1220.

[11] A.M. Honoré, Ownership, in PROPERTY: CASES, CONCEPTS, CRITIQUES 78 (L.C. Becker & K. Kipnis eds. 1984)

[12] With the applicable language italicized, that provision reads as follows:

be conceivably interpreted to support the courts' position.[13] However, there are grounds for disregarding those special aspects, first because the statute is open to other and better interpretations,[14] and second, because the position of the initial descendant DW authors is not so different from that of other authors. The first generation of descendants were using the previously copyrighted works with permission; the parent owners of the base work had issued no prohibition on the descendants claiming copyright what was original in their result; moreover, the first-generation descendants were not only using their own creativity and the parent's copyrighted work-- they were also using aspects of the commonly-owned public domain[15] (such as long-developed artistic techniques and conventions that made the new work comprehensible to the public.) Thus the makers of the derivative works in the decided cases were arguably much like any makers of new works, in that they made use of their own resources (e.g., creative ingenuity) and of the public domain, and made no wrongful use of any privately owned resources.

Comment [DL4]: A species of copyright misuse?

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Sec 103...(b) The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, *and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.*

[13] I take the Lockean arguments as capable of influencing courts in ambiguous and borderline cases, but not as trumping explicit statutory provisions. The statutory provision at issue here is hardly explicit on the preservation of prior owner's value.

[14] I would argue the statute's concern is primarily with curtailing authors who seek to *extend* their copyrights by means of derivative works—the opposite of the concern exhibited by the courts in the two cases discussed. The House of Representatives Report which is considered the most definitive document on the statute states, "Section 103(b) is also intended to define ...the important interrelationship and correlation between protection of preexisting and of "new" material in a particular work. The most important point here is one that is commonly misunderstood today: *copyright in a "new version" covers only the material added by the later author, and has no effect one way or the other on the copyright or public domain status of the preexisting material." (H.R. Report 94-1476 (1976) at 57 (emphasis added).*

[15] Locke states that "God gave the world to Adam, and his posterity in common...." Second Treatise, Chapter 5, sec. 25. There can be many varieties of common; see, e.g, A. John Simmons, The Lockean Theory of Rights, at 238 (1992). I take the nature of Locke's common ownership as placing duties and preconditions on private appropriation.

Nevertheless, a distinction can be drawn between the situation of the DW makers and that of other authors. Therefore for the purposes of this essay, I will focus less on the special aspects of the derivative-works situation, and more on a general question: Assume that a principle of justice in acquisition needs to be conditioned by some protection for others such as Locke's sufficiency proviso. Under such an assumption, should a maker of a work be unable to claim a justifiable property right in it, unless she can show that her claim leaves the value of any preexisting property without negative effects? If so, the implementing principle, which I call an upside-down proviso, has at least three distinctions from the usual understandings of the sufficiency proviso.

First, the upside-down proviso attempts to safeguard pre-existing property claims as well as future property claims, that is, the *Durham* principle appears to look temporally backward. By contrast, the Lockean sufficiency proviso is usually understood as looking forward: aiming at sheltering the opportunities of later comers, those future citizens who have not yet had the opportunity to appropriate property.

Second, the new principle is concerned with dangers to property value caused by errors and mistaken litigation:[16] it is not clear that the Lockean proviso would similarly alter its operation because of the machinery of justice was imperfect.

Third, the Circuit courts are aiming to preserve not the early comer's ability to own property, but more particularly the property's monetary value and the parent-owner's ability to exploit that property. The Lockean proviso is variously understood, and some accounts do tie it to e effects rather than to property ownership. Nevertheless, for a court to invent a principle to secure the *value* of pre-existing property is questionable. For example, in US "takings" cases often emphasize that the government

Comment [DL5]: OK: see a comment above.

[16] The concern is that later courts and juries will not be able to tell the difference between what various derivative work makers have added, resulting in harassing litigation among them and a decreased ability on the part of the first property owner to license new derivative works.

need not compensate all property owners who suffer a mere diminution in their property's value as a result of government action.

I will now discuss the three issues just mentioned: the temporal direction of the proviso, problems arising out of imperfect machineries of justice, and whether the proviso should be concerned with the monetary value of property.

Temporal Directionality

As for the new principle's temporal directionality, there are Locke-inspired views of what it means to deserve to own property that do not distinguish between the kinds of harm a new property claimant might cause. Larry Becker's view is of this sort.[17] It might be construed as being bidirectional. But as he and others who use such general formulations do not appear to have explicitly considered the bi-directionality of their versions of the proviso, I think it appropriate to start from scratch in this preliminary discussion.

I first think the proviso should be understood as being concerned with sheltering the opportunities of *future* appropriators because that is the function that the sufficiency

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[17] At first, this Durham principle seems to match at least one philosopher's recommendations. Lawrence Becker, in his early reformulation of the Lockean labor theory as a desert principle, has this to say:

> A person who, in some morally permissible way, and without being morally required to do so, 'adds value' to others' lives deserves some benefit for it.
>
> But he adds, this "must be a double-edged principle: if a benefit is due for adding value, presumably a penalty is due for subtracting value."
>
> LAWRENCE BECKER, PROPERTY RIGHTS (1977) at 51.

Becker continues,

"Any diminution of value produced by labor must be assessed against the laborer as a penalty deserved for the loss thus produced." Id. at 55.

Applying these principles to the DW case, it is at least possible that Becker's principles would support the *Durham* approach. Denying the first DW maker an award of property avoids some monetary loss to the parent, and it may be that the loss avoided is great enough to outweigh whatever reward the first DW maker might otherwise deserve.

proviso served in Locke's original theory. He was facing the problem of consent: if the world is given to all in common, as he assumed it was, how can any one person claim a private segment without the unanimous consent of all? "If such a consent as that was necessary, Man had starved notwithstanding the Plenty God had given him." [18] Locke's own solution is more elegant. He specifies a ground for justifiably dispensing with consent: if there is "enough, and as good left in common for others" after the appropriator has taken up his share, [FN173] then the appropriation "does as good as take nothing at all." [FN174]

With Sreenivasan and others, I see the proviso as the answer to the crucial political question[19] of how private property could arise out of common ownership. If 'enough and as good' is left, then 'no one has ground for complaint' other than envy or covetousness. If no one has (respectable) ground for complaint, then that is (in Locke's eye) as good as consent—or at least sufficient to justify the property arising.

So why should the proviso be interpreted uni-directionally, not to protect pre-existing property owners but only to protect the propertyless in the future? One potential answer might be that persons who already have property would seem unlikely to withhold permission from a property system; they have already been benefited and thus do not need the proviso to protect them. But this point can be challenged, both on empirical grounds, and on grounds that the issue Locke faced was more than finding criteria that would justify 'a private property system in general'; he wanted also to find grounds that would justify 'a particular appropriation.'

An alternative defense of the uni-directionality of the proviso might point to the specific copyright cases out of which the issue arose. The initial property owners in the given cases had consented to others' use of their property—had in fact sought costumes and photos and advertisements featuring their works-- and neglected to assert by contract

**Comment [DL6]:** Agree with you and Gopal, but I think that one can strengthen this: Locke was in a political debate over the justifications for original acquisition from a commons, and hence the origins of society. DW is not part of such a political debate; of course, that means Locke should not be used in general discourse, a result that you might not want to live with, as you argue for limited uses of a (limited) Locke! In any event, it is good for the no-looking-back argument. But also, in a separate second argument, DW is by definition NOT an original acquisition; it is derivative. Though here too I note that you argue in effect that there is some originality on the DW creation process, using elements of the public domain (a Lockean common?) and ingenuity, as well as the first work.

**Comment [DL7]:** Particular, yes... but is it not a specific act that is part of a narrative about the origins of the property system. I.,e, while it is true he wanted to find the grounds for the justification of each particular appropriation, it is the first step in a long story, and one might not be convinced that he was trying to set out a theory to justify any one specific (and free standing) appropriation.

[18] Locke, bk. II, § 28

[19] One of Locke's goals was to refute Filmer's claims in PATRIARCHA for the entitlements of monarchs.

any rights in the resulting derivative works. They must have thought (by definition) the arrangement to their benefit. They issued contracts which, though they did not explicitly note the possibility of a DW maker claiming copyright in what he added, had this as the background possibility under the law prior to the contested cases. So it can be argued that the parent copyright owners essentially consented to the appropriation by the DW maker.

Comment [DL8]: I think this I better.

Putting it somewhat differently: the parent as authorizer of the derivative work had the power by contract to specify that he (the parent) would retain ownership and control. By not choosing to retain such control, the parent presumably enticed the derivative-work builder to work for a lesser price. Because the parent had chosen whatever advantage he got (or negligently or for other reason failed to get) arising from his choice of not demanding ownership, courts shouldn't go out of their way to help the parent get what he didn't bargain for. The initial property owner apparently thought the transaction as a whole benefited him, so he shouldn't cry 'harm' (or "proviso violation") after the fact.

But this line of argument, addressed to the original copyright situation, may not be open to me to the extent I am exploring a general principle, not limited to the copyright cases that gave salience to the issue.

Comment [DL9]: Fair point.

A third and more general line of argument is to point out the deadlock or circularity that would result from a bi-directional proviso. The parent says "Hey, you maker-of-derivative-works, even if I forgot to say so in the initial contract, you can't have any copyright (that is, you can't have any rights to exclude) in what you added. You can't have property in what you added because that would hurt my property."

The descendant responds, "If your complaint about loss of value is going to keep me from having property of my own that is enough and as good as yours, then your initial property claim is void under the classic sufficiency proviso."[20]

The two parties seem to be in a reciprocal relationship which might be characterized as deadlock. "I could as easily void part of your exclusion right as fail to get my own exclusion right."

That a deadlock arises is not fatal; it might simply mean that here is an area to which an alternative solution to the consent problem must be found. But the logic of Locke's concern—namely, with whether the nonpropertied[21] would have good reason to object[22] to private property claims that precede them-- suggest the way out of the 'dilemma' is to adopt a unidirectional proviso that faces toward the future.

Comment [DL10]: I think that this argument and example is quite compelling.

Imperfect machinery of justice

To illustrate how imperfect justice machinery can have an impact, consider an analogy to the Derivative Works problem but drawn from real property. Assume that someone obtains property by productively laboring and appropriating in a way that satisfies the Lockean sufficiency proviso. Call him the parent, or *P*. Part of the parent's property entitlement is to have a right to exclude. The parent property owner for his own

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[20] To expand: The descendant says, "You built lawfully on predecessor works and obtained copyright in your variations; yet the DURHAM rule prohibits me from building lawfully on a predecessor work and obtaining copyright in my variations. If your copyright prohibits me from obtaining 'enough and as good' then your initial copyright claim violates the proviso and is void."
Admittedly, it can be argued that the parent built on predecessor works in a manner less indebted to those works than the derivative work maker's efforts were indebted to the parent. If so, then the derivative work maker may be asking for something more than "as good." This requires separate discussion.

[21] I realize I sometimes conflate "propertyless" with "future generations." There are clear distinctions between the two categories to be explored.

[22] Of course, as David Lyons has reminded me, people in reality sometimes refuse consent on bad grounds, or for no reason at all. Locke's logic, however, seems to assume that at least when it comes to property appropriation, it is a sufficient substitute for consent if there are no harms to an interest Locke views as legitimate.

purposes allows someone – call him Descendant #1 or *D1*--to build on the parent's land... maybe to display the land to better advantage. No one disputes that the underlying land still belongs to the parent. But if the building erected by *D1* satisfies the proviso, and is done with permission, perhaps the building belongs to D1. This is debatable, but I will assume D1 owns the building, though he cannot enter it without permission of the underlying landowner.

The parent then wants another person – call him Descendant #2 or *D2*-- to build on the land, perhaps because the parent is not happy with the efforts of D1. Should *D1* have any rights to get in the way of *D2*? *D1*'s rights to do so would at best be pretty narrow, even if he has property in the building. Let us assume that unless *D1* holds some special contractual rights from the parent (and only if the parent failed to contractually reserve rights in the building), D1 might have something like a right prohibiting *D2* from building additional stories on top of the floors that D1 has built, or prohibiting D2 from building a structure that injuriously leaned on D1's building for support. The 'imperfect machinery' problem would arise if fact-finders couldn't tell whether D2 was building on or injuring D1's building. Would that uncertainty justify denying D1 any rights in the building?

The law of derivative works is limited in much the same way as the real property example. It would only allow D1 to sue D2 if D2 copied some copyrightable component added by D1. The law would not prohibit D2 from building his own derivative work on the parent's property. To avoid violating copyright law, all D2 has to do is avoid copying (drawing certain kinds of support from) D1's effort. That is the ordinary black-letter rule.

The Circuit courts' worry is that the rule won't work: that because the costumes or ads or photos produced by D1 and D2 will look similar (because both are based on the parent's work), D1 will be able to bring harassing suits that will diminish both the parent's property values and that of D2.

**Comment [DL11]:** I'm not sure about this real property example. These look too much like fragmented property rights. Now most mature property systems (common law, or civil law) have coherent means to allow for fragmented property rights. (It is the reason why Heller's anticommons is either not helpful analytically or even misleading. Draft paper attached.) But under whatever system, it is unlikely that P could create conflicting property or property-like rights for D1 and D2 via contract. And there is a question of whether one can create any such new rights at all (cf Tom Merrill and Henry Smith on information costs). To the extent that existing property structures could accommodate your example, they would not likely allow for conflicting rights.

If one really could create such contracts (i.e. contracts that create what look like property rights), surely D1 and-or D2 would take on P.

Put succinctly, property objects are characterized by their physical exclusivity in a way that copyright objects are not, and hence what the owners can do are bound (or not) by these physical limitations. You might try an example with intangible property, but I can't think of something off hand...

So what happens when the rule is a good rule—that is, giving D1 a property right that's very narrow—but judges are concerned that because of error, the rule will be misapplied, and D1 will get a broader property right than that to which he's entitled, or at least will be able to bring lawsuits which are plausible and cause great expense to D2 and the parent. It is this fear of error that is motivating the Circuit courts to be overeager to deny D1 copyright.

Comment [DL12]: My sense is that while judicial caution is not a bad thing in some cases, this tends to stifle creativity!

It's an important question, whether a Lockean principle of justice should be adapted to mere possibilities and human error. Admittedly many strands of Locke's argument suggest a keen awareness of human fallibility.[23] However, they do not compel the conclusion that property in new effort should be barred whenever the propensity for human error makes it *possible* that "enough, and as good" will fail to be left. Nor do these strands of Locke's argument suggest how *probable* a failure need be for the property bar to arise. It is particularly important not to give the possibility of human error too much weight when the party benefitting from the property bar (the parent) could himself have avoided the error problem: he could have provided by contract for the result desired, and paid for it.[24] Both parties could thus have avoided harm.

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[23] See, e.g,. Second Treatise, Chapter IX, at sec. 125:

> ...In the State of Nature there wants a known and indifferent Judge, with Authority to determine all differences according to the established Law. For every one in that state being both Judge and Executioner of the Law of Nature, *Men being partial to themselves, Passion and Revenge is very apt to carry them too far, and with too much heat, in their own Cases; as well as negligence, and unconcernedness, to make them too remiss, in other Men's.*

(Emphasis altered.)

[24] Consider the prophylactic legal device known as the strategy of "penalty default": the strategy advises lawmakers to adopt a default rule that, if unchanged, penalizes the more sophisticated and powerful contracting party. This encourages such sophisticated parties to change the default by an explicit contractual provision, so that the other, less knowledgeable, party will know how to react, what concessions to demand in exchange, and so on. I suspect that in the context of cases like *Durham* and *ERG*, it is likely the owner of the parent work (an owner such as Disney) who has the greater sophistication and bargaining power. The penalty default approach would suggest the law should make initial copyright owners decide what it's worth to them to have sole control over the derivative works, by having a default rule that says the courts will not rewrite the contract to add more control than was bargained for. The result would be that DW makers would be

Value and ability to exploit property

Some philosophers argue that the non-human things of the world should be divided according to their impact on welfare. On a welfare-based interpretation of the sufficiency proviso, one would indeed take into account the empirical ability to exploit property, and the property's value under varying circumstances. However, the strongest welfarist argument I have seen depends on egalitarian premises,[25] and protecting property owners' value is hardly egalitarian.

Nor can I see that the property owner's valuation "deserves" protection in any obvious way. The value of property depends on a myriad of things not within any one person's control: for example, the value of a stockpile of coal will depend inter alia on whether a blizzard blocks alternative methods of supply. I might argue that luck should not be so important to the question of justice in acquisition. Further, even effects that result from human agency instead of raw nature (such as the invention of a superior product by a third person) are "luck" as to the initial property owner. It is hard to see that giving a property owner the ability to control for the effects of such events would be a 'fitting reward' (using Becker's phrase) for labor.

In general, a new resource coming into being will have varying impacts on preexisting property rights. Sometimes it will reduce the price/value of the preexisting property because of competition (but make consumers better off by decreasing price). Sometimes the advent of a new resource will increase the price/value of preexisting

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*compensated* for their lack of copyright, as part of the basic contract. A lack of harm to both parties could be secured, and guesswork largely eliminated.

[25] Michael Otsuka argues for the following welfarist interpretation of the proviso: that "those who are, through no fault of theirs, less able to convert worldly resources into welfare are entitled to acquire additional resources in order to compensate for this lesser ability." Michael Otsuka, *Self-Ownership and Equality: A Lockean Reconciliation*, 27 Philosophy and Public Affairs 65 (1998) at 81. This is based on his interpretation of what he calls the "Egalitarian proviso: You may acquire previously unowned worldly resources if and only if you leave enough so that everyone else can ac quire an equally good share of unowned worldly resources." Id. at 79.

property because of complementarity, or, e.g., because the new resource opens up new markets for both itself and other products.

Comment [DL13]: Would add an element of unpredictability...

To the extent these effects on pre-existing welfare are negative, should that be relevant to whether the producer of the new resource[26] can claim private property in what she's caused to come into existence? (Or alternatively, should the negative effects make her obliged to give compensation, or some special treatment, to those whom her resource has harmed?) Even if a proviso were bi-directional, it is arguable that negative welfare effects on prior property ownership should be irrelevant. The reasons include:

- It's not clear that a property owner is entitled to any particular price in the world. A price is a contingent fact which depends upon myriads of happenings.
- While derivative works may be a special case (because such works are competing in part by means of the parent's work), in other cases the upside-down proviso could boil down to eliminating harm done by productive competition. Philosophers give many differing reasons for privileging harm done by productive competition, but their conclusions are fairly unanimous that such harm should *not* be prohibited. It's pretty clear at least from consequentialist perspectives that (in a world like ours with transaction costs), we'd all be worse off if new entrants had to compensate old businesses for competitive loss. The end result of requiring such payments could be paralysis. [27]
- The effect of an upside-down proviso might well be inegalitarian in unjustified ways.

Comment [DL14]: I might add "unpredictable"

[26] By "new" I am referring to something that recombines existing elements, as a play recombines existing words or a painting existing colors and textures. See, e.g., "making" versus "creating" in the Locke literature (discuss).

[27] Also, economists have long taught that prices are *communicative devices* that help direct resources to their highest-valued uses. From an instrumentalist perspective—and Locke did have his instrumentalist strands— it can be crucial to economic health to refrain from compensating or otherwise shielding those who experience prices decreases. The price decrease may indicate they should change their behavior, a signal from which they should not be insulated.

Interim conclusion

This brief essay introduces the question of whether Locke's sufficiency proviso can be read to void property claims that impair the value of pre-existing property. The essay identifies a number of issues that would need to be addressed in order to resolve the question. The essay preliminarily concludes that it would not be advisable to interpret Locke's sufficiency proviso in a way that forbad private property from arising whenever the new property would diminish the value of the old.