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# Cover Songs and Donkey Kong: The Rationale behind Compulsory Licensing of Musical Compositions Can Inform a Fairer Treatment of User-Modified Videogames

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**COVER SONGS AND DONKEY KONG: THE RATIONALE BEHIND  
COMPULSORY LICENSING OF MUSICAL COMPOSITIONS CAN  
INFORM A FAIRER TREATMENT OF USER-MODIFIED  
VIDEOGAMES**

***John Baldrica***<sup>1</sup>

*The formative jurisprudence on the modification of video games came when copyright recognition of computer software was itself quite recent, when the level of creative “expression” in the altered videogame was meager. Consequently, modded games are currently held to be derivative works and infringement of the copyright of the originals. A determination of fair use shouldn’t be determined by the existence of any potential market for a license; rather it should be determined by the existence of a fair license that actually meets the market and expression needs of the particular group of individuals whose use of copyrighted material is being challenged. This paper argues that the rationale behind the music industry’s compulsory licensing system can better guide courts in evaluating whether the creations of modders should qualify as a fair use of a game’s underlying copyrighted software.*

*Analogous to cover musicians, videogame modders are amateur programmers who modify (or “mod”) commercially released videogames, ultimately creating entirely different experiences for the player. Just as music publishers sign artists based on their demo tapes, game development companies often hire these amateur programmers based on the success of their mods. Because of these and other similarities, a compulsory licensing scheme would theoretically be a perfect match for videogame mods because it gives digital artists the freedom to*

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*produce the new creative works that the copyright system was intended to promote, and because the two groups of artists share analogous creative incentives, lack of negotiating power, and had their copyright ownership rights determined amid the chaos of applying copyright law to a new medium.*

*This scheme brings ex ante predictability to the fair use doctrine in the eyes of the courts and modders by treating the absence of a fair license for videogame mods as a market failure.*

## I. INTRODUCTION

A casual observer might believe that the arcanities of copyright law and the excesses of fraternity keg parties are entirely distinct. But one key commonality exists, the result of a primal need to pair bacchanalia with reliable musical accompaniment: the college cover band. Thanks to the compulsory “mechanical” license provision of the Copyright Act,<sup>2</sup> these motley musical crews can legally make a recording<sup>3</sup> of their definitive a cappella version of

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<sup>2</sup> 17 U.S.C.S. § 115(a)(1) (2009) (“When phonorecords of a nondramatic musical work have been distributed to the public in the United States under the authority of the copyright owner, any other person . . . may . . . obtain a compulsory license to make and distribute phonorecords of the work.”). The license to make a recording of a musical composition is also colloquially referred to as a “Mechanical License” or “Mechanical Rights,” a term traced back to the license’s origin as a way to address the function of mechanical player pianos. *See infra*, note 9; *see also* video interview of George Howard, May 5, 2009, Asst. Prof. of Management, Loyola U., *What is a Mechanical License?*, <http://www.artistshousemusic.org/videos/what+is+a+mechanical+license>; *see also Common Music Licensing Terms*, THE AMERICAN SOCIETY OF COMPOSERS, AUTHORS AND PUBLISHERS (ASCAP), <http://www.ascap.com/licensing/termsdefined.html>. (last visited Nov, 11, 2009).

<sup>3</sup> Depending on the context, other copyright issues may also apply to cover songs. For instance, 17 U.S.C. § 106 grants a copyright holder exclusive performance rights. Therefore, related licenses come into play when a copyrighted sound recording or composition is actually played for or broadcast to an audience in settings such as radio stations, restaurants, or other venues. These performance licensing fees are typically collected by royalty-collection groups (such as ASCAP and BMI) on behalf of the songwriters and composers. However, the distribution of music digitally has somewhat blurred the line between musical performances and recordings, and has lead to additional legal challenges. *See* Greg Sandoval, *Music Publishers: iTunes Not Paying Fair Share*, CNET.COM, Sept. 17, 2009, [http://www.news.cnet.com/8301-1023\\_3-](http://www.news.cnet.com/8301-1023_3-)

*Stairway To Heaven*, and sell it—so long as a statutorily determined royalty<sup>4</sup> is paid to the holder of the original composition's copyright. By some estimates, over 150,000 cover songs have been recorded.<sup>5</sup> And, by the unassailable laws of statistics, most of these renditions are likely mediocre.<sup>6</sup> But gems do exist, ones that may even outshine the original versions and capture a new mood, a new audience, or a new era.<sup>7</sup>

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10355448-93.html?tag=mncol (describing royalty-collectors efforts to lobby Congress to require entities that sell digital musical recordings to pay performance licensing fees as well as “mechanical” (recording and distribution) licensing fees); *see also* statement of Marybeth Peters, The Register of Copyrights, before the Subcommittee on Intellectual Property, Committee on the Judiciary, U.S. Senate, July 12, 2005, <http://www.copyright.gov/docs/regstat071205.html> (discussing music licensing reform) (last visited Sept. 30, 2009). For the sake of clarity, this article focuses on the compulsory “mechanical” license as providing a distinct and independent set of rights, in circumstances often analogous to those encountered with user modified videogames.

<sup>4</sup> 17 U.S.C.S § 115(c)(2) (2009) (“With respect to each work embodied in the phonorecord, the royalty shall be either two and three-fourths cents, or one-half of one cent per minute of playing time or fraction thereof, whichever amount is larger.”).

<sup>5</sup> *See* The Cover Info Database, <http://www.coverinfo.de> (click the flag icon for English language version) (last visited Sept. 30, 2009) (an online database of more than 180,000 cover songs); *see also* Second Hand Songs: a Cover Song Database, <http://www.secondhandsongs.com> (last visited May 5, 2008) (an online database of more than 100,000 cover songs); *see also* The Covers Project, <http://www.coversproject.com> (last visited May 5, 2008) (an online database of cover songs, with an emphasis on documenting “cover chains,” or covers of previous covers).

<sup>6</sup> *See generally* Eric W. Weisstein, *Normal Distribution*, Wolfram MathWorld, <http://mathworld.wolfram.com/NormalDistribution.html> (The “Normal Distribution” in statistical mathematics, also referred to by social scientists as the “Bell Curve,” describes the probability that many common attributes in population, such as height or intelligence, follow a predictable pattern, with few outlier members in the high and low ends, and the vast majority near the middle.).

<sup>7</sup> *See, e.g.,* Mary Huhn & Maxine Shen, *They've got it Covered—the 100 Best Cover Songs of All Time*, NEW YORK POST, July 18, 2007, at 41, available at [http://www.nypost.com/p/entertainment/music/they\\_ve\\_got\\_it\\_covered\\_yboCIOlWEPWFQXIdYrqo6N](http://www.nypost.com/p/entertainment/music/they_ve_got_it_covered_yboCIOlWEPWFQXIdYrqo6N) (“1. ‘Stairway to Heaven,’ Dolly Parton (Led Zeppelin) Queen of country rescues song from amateur guitar players everywhere with a soulful rendition that'll have you in tears.”) (last visited Sept. 30, 2009).

Though some critics maintain these compulsory licenses may disadvantage the copyright holders of the original musical compositions, a booming recording industry has nevertheless evolved as a result of this licensing system.<sup>8</sup> The licensing rights granted to individual musicians are limited but powerful,<sup>9</sup> allowing young artists to draw on familiar and popular compositions to fund their careers and build an audience,<sup>10</sup> while simultaneously developing their own musical styles.<sup>11</sup> The success of mechanical licensing has led to the proposal of similar compulsory statutory licensing regimes that address a variety of intellectual property conundrums, from file sharing<sup>12</sup> to music sampling,<sup>13</sup> to orphan works.<sup>14</sup>

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<sup>8</sup> See Jeffrey A. Wakolbinger, *Compositions are Being Sold for a Song: Proposed Legislation and New Licensing Opportunities Demonstrate the Unfairness of Compulsory Licensing to Owners of Musical Compositions*, 2008 U. ILL. L. REV. 803, 804 (2008) (“The terms of these provisions often spark debate between the owners of copyrights in musical compositions (who generally oppose compulsory licenses or desire higher statutory rates) and record companies (who tend to enjoy the benefits of compulsory licensing and lobby for lower rates).”). Note, however, that this assertion is a generalization, because starting musicians who are struggling to break into the industry often rely on the income and established audience that a market for performances of cover songs provides. See, e.g., Ruth Rice, *Concert Spotlights Area Musicians*, THE TRIBUNE DEMOCRAT, Apr. 23, 2008, [http://www.tribune-democrat.com/events/local\\_story\\_114100253.html](http://www.tribune-democrat.com/events/local_story_114100253.html) (acknowledging the difficult process of local musicians popularizing their original works when “everyone wants to hear the same cover songs”).

<sup>9</sup> See Robert J. Morrison, *Deriver’s Licenses: An Argument for Establishing a Statutory License for Derivative Works*, 6 CHI.-KENT J. INTELL. PROP. 87, 93 (2006) (discussing that the so called “mechanical license” does not permit a version which strays “too far from the original” composition, but allows musicians to give a cover version “all of the ambiguity that falls between sheet music and a final performance”); H.R. REP. NO. 94-1476, (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659 (discussing concerns that the license not allow the original to be “perverted, distorted, or travestied”).

<sup>10</sup> See, e.g., Rice, *supra* note 8.

<sup>11</sup> *Id.*

<sup>12</sup> See Mark A. Lemley, *Should a Licensing Market Require Licensing?*, 70-SPG LAW & CONTEMP. PROBS. 185, 187–88 (James Boyle and Lawrence Lessig, eds., 2007).

As Part II of this paper explains, such a statutory licensing scheme would be an ideal fit for another group of creative individuals who also reinterpret prior expressive works, videogame modders. Like cover musicians adding their unique expression to an existing song to create a new experience for the listener, modders are amateur programmers who modify (or “mod”) commercially released videogames, ultimately creating entirely different experiences for the player.<sup>15</sup> In both circumstances, the amateur activities feed the professional talent pool; like music publishers signing new artists based on their demo tapes, game development companies often hire new programmers based on the success of their mods.<sup>16</sup> A statutory licensing option would give these digital artists the freedom to produce the kind of new and creative works that the copyright system was intended to promote.

However, despite parallels suggesting that a compulsory licensing scheme would be an ideal match for videogame mods, as

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<sup>13</sup> See Aaron Power, *15 Megabytes of Fame: A Fair Use Defense for Mash-Ups as DJ Culture Reaches its Postmodern Limit*, 35 SW. U. L. REV 577, 596 (2007).

<sup>14</sup> United States Copyright Office, Report on Orphan Works (2006), <http://www.copyright.gov/orphan/orphan-report-full.pdf>.

<sup>15</sup> See David Kushner, *It's a Mod, Mod World: For Computer Game Developers, Encouraging Users to Modify Copyrighted Material is Good for Business*, SPECTRUM ONLINE, <http://www.spectrum.ieee.org/careers/careers/template.jsp?ArticleId=i020203> (last visited Oct. 11, 2009) (describing the process of game “modding,” or directly modifying the game’s code to allow new forms of gameplay or other significant changes); see generally *The Mod Database*, <http://www.moddb.com/> (discussing modding techniques). In practice, much Mod-related information is exclusively available on such websites and electronic forums. Modding is generally a decentralized endeavor that relies heavily on collaboration via the Internet (those working on the same project may often never meet in person, or even reside in different nations). The digital dissemination of mod-related information and discussion reflects that trend. For a discussion of the logistics involved in forming and managing a mod-team, see Kieron Gillen, *Mod Creation for Idiots (By An Idiot)*, ROCK, PAPER, SHOTGUN, <http://www.rockpapershotgun.com/2008/09/09/mod-creation-for-idiots-by-an-idiot/> (last visited Oct. 22, 2009).

<sup>16</sup> See Victoria Murphy Barret, *It's a Mod, Mod Underworld*, FORBES, Dec. 12, 2005, at 64, available at <http://www.forbes.com/forbes/2005/1212/064.html> (last visited Nov. 21, 2009) (interviewing Gabe Newell, CEO of Valve, Inc., generally regarded as one of the most modder-friendly PC game developers).

this paper explains in Part III, such an outcome is extremely doubtful. Unlike the market circumstances and favorable public opinion that surrounded the genesis of music's mechanical licensing, both the political landscape and the interests of the established videogame industry are aligned against user generated content earning the same treatment.

Part IV attempts to mitigate this disappointing state of affairs by arguing that the rationale underlying the music industry's compulsory licensing system can, at the very least, successfully guide courts in evaluating whether the creations of modders should qualify as fair use of a game's underlying copyrighted software code, and therefore not be an infringement. Drawing on the familiar analogy and jurisprudence of musical recordings could help courts make sense of the tangled legal analysis of videogame modification, a subject whose early decisions were rendered at a time when the expression possible in an altered videogame was meager<sup>17</sup> and the notion of copyright protection for computer software was itself a novel concept.<sup>18</sup> As a consequence of the broad holdings of these formative videogame cases, modded games are effectively held to be derivative works and infringement of the copyright of the originals,<sup>19</sup> despite evolutions in technology that now allow mods a greater range of transformative and creative expression.<sup>20</sup> Additionally, in the years since these early videogame decisions, the scope of fair use protection has itself

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<sup>17</sup> See *Midway Mfg. Co. v. Artic Int'l, Inc.*, 704 F.2d 1009 (1983) (describing a case in which a circuit board which merely "speeded-up" an arcade game was found to be a derivative work).

<sup>18</sup> See *The History Of Software Copyright*, <http://digital-law-online.info/lpd1.0/treatise17.html> (last visited Oct. 11, 2009) ("The Copyright Act of 1976, which became effective on January 1, 1978, made it clear that Congress intended software to be copyrightable.").

<sup>19</sup> See Kushner, *supra* note 15.

<sup>20</sup> See generally Daniel Terdiman, *Atari 2600 Still Schooling Game Designers*, CNET.COM, March 30, 2009, [http://news.cnet.com/8301-10797\\_3-10206438-235.html](http://news.cnet.com/8301-10797_3-10206438-235.html). As a matter of comparison, a videogame cartridge for the early Atari 2600 Video Computer System held approximately 4 kilobytes (4K) of data while a modern Blu-ray disk holds more than 25 gigabytes of data (25GB), or about 6.25 million times more information. See generally *White Paper: Blu-ray Disc Format*, Aug. 2004, Blu-ray Disk Founders, [http://www.bluraydisc.com/Assets/Downloadable file/general\\_bluraydiscformat-15263.pdf](http://www.bluraydisc.com/Assets/Downloadable%20file/general_bluraydiscformat-15263.pdf).

been threatened by cases which have rejected a defense of fair use if any *potential* for a licensing market exists.<sup>21</sup>

This paper argues that, with respect to videogame modding, a fair use analysis should not rest on the potential existence of *any* licensing market, but instead, should rest on the potential of a *fair* licensing market, one which actually meets the economic and expressive needs that are unique to this group of user-creators. The compulsory licensing available to recording musicians can serve as a useful baseline for this fairness inquiry because both groups of creators make similar transformative use of existing copyrighted work, both generally lack the power to directly negotiate with the original copyright holders but nevertheless generate new value for these copyright holders through their independent creative efforts, and both contribute to the development of the professional talent pool through what is effectively an unpaid apprenticeship. In addition, both groups of creators had their rights determined during times when courts were struggling to apply existing copyright law to a new medium. Ultimately, however, musicians achieved a right to their transformative expression through the compulsory license, but modders have not.

A “fair license” analysis would help bring some *ex ante* predictability to the fair use doctrine<sup>22</sup> by treating the absence of such a fair licensing option for videogame mods as a market failure.<sup>23</sup> Because such a market failure is a key rationale for a

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<sup>21</sup> See, e.g., *American Geophysical Union v. Texaco*, 60 F.3d 913 (2d Cir. 1994); see Lemley *supra* note 12, at 191 (discussing that this potential market analysis has been widely criticized as circular, as it essentially turns the marketplace success of any fair use expression into de facto evidence that such use was not fair).

<sup>22</sup> See Morrison, *supra* note 9, at 91 (noting that it is often derided as “the right to hire a lawyer”) (quoting Lawrence Lessig, Professor of Law, Stanford Law School: “‘Fair use’ in America is the right to hire a lawyer.”).

<sup>23</sup> The current inability of individual modders to effectively negotiate with the myriad developers and publishers who may control the rights to the original videogame represents such a market failure, and the existence of such a market failure is strong evidence that modders’ use is a fair one. See generally Wendy J. Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the ‘Betamax’ Case and Its Predecessors*, 82 COLUMB. L. REV. 1600 (1982).



finding of fair use, game developers would be on notice that if they do not establish a licensing regime that meets the needs of individual modders,<sup>24</sup> courts could and should presume that these individuals' mods do not represent a lost source of revenue nor a negative impact on the original games' market. Because damage (or in such cases, the lack thereof) to the copyright holders' marketplace is the most important element of a fair use analysis,<sup>25</sup> modders would have more confidence in their legal standing and be less creatively chilled.<sup>26</sup> At the same time, other intellectual property protections, such as trademark rights,<sup>27</sup> could be used to police modders' work preventing it from tarnishing the market for,<sup>28</sup> or reputation of,<sup>29</sup> the original game properties (so long as this analysis also considers collective-benefit doctrines<sup>30</sup> such as criticism and parody<sup>31</sup>).

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<sup>24</sup> See, e.g., Barret, *supra* note 15 (noting that the retail cost to a modder of licensing Valve's game engine to create a new game is \$200,000); compare Wakolbinger, *supra* note 8, at 807 (discussing that the statutory compulsory licensing rate that an individual musician must pay a composer for the right to create a cover version of their song is about three cents per song (per physical recording, i.e. per each CD or record that the musician produces)).

<sup>25</sup> See *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*, 964 F.2d 965, 971 (9th Cir. 1992), *cert. denied*, 507 U.S. 985 (1993).

<sup>26</sup> See Morrison, *supra* note 9, at 94. The chilling effect is one of the most problematic side effects of the original copyright holder's broad rights. See *id.* (discussing that one key chilling factor is that even preliminary, entirely internal uses of copyrighted material could infringe, forcing potential licensees to postpone their intended creative works and creating market inefficiency, citing *Walt Disney Prod. v. Filmation Assoc.*, 628 F. Supp 871, 876 (C.D. Cal. 1986)).

<sup>27</sup> See Morrison, *supra* note 9, at 98 ("While trademark law frustrates the free use of a known work in a derivative work, it does it in a way that would satisfy the reasonable concerns about a system without any control by the author.").

<sup>28</sup> See, e.g., Mogul, *Interview with John Diamond, Founder of COR Entertainment*, PLANETQUAKE.GAMESPY.COM, <http://planetquake.gamespy.com/View.php?view=Articles.Detail&id=346> (last visited Oct. 11, 2009) (describing the cease-and-desist actions Fox, Inc. has taken against mods which incorporated characters from their *Alien* film franchise).

<sup>29</sup> This should allay developers' fears of the infamous "Hot Coffee" Mod, in which modders were initially accused of creating graphic sexual animations with characters from the game "Grand Theft Auto, San Andreas." See *infra*, Part III.

<sup>30</sup> The tension between protecting the expression of the original creator and promoting the expression of subsequent creators is a conundrum wherever intellectual work builds upon the past (such as in the sciences, as made clear by

## II. THE COMPARABLE LAW GOVERNING MODS AND MUSICAL RECORDINGS

Despite their differences, mods and musical cover recordings share a key similarity - both are creative expressions which provide an audience with a new experience that is of an entirely different nature than the underlying copyrighted work. Further comparison suggests that mods would also benefit immensely if these similar forms of expression received similar treatment under the law.

### A. *The Nature of Mods and How their Treatment Illustrates the Tension Between Derivative Works and Fair Use*

Mods are user-created software that alter the function of the game engine to create a different type of experience, or “gameplay,” for the user.<sup>32</sup> These gameplay changes can be simple, such as altering the graphics and sounds,<sup>33</sup> or more extensive, such as altering the virtual environment and characters, the rules by which the game is played, or even entirely changing the game’s genre.<sup>34</sup>

Under the United States Copyright Act, the creator of an original copyrightable piece of expression is given the exclusive right to authorize any derivative works—i.e. subsequent creative works based upon that original work.<sup>35</sup> The broad scope of what

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Isaac Newton’s famous quote of seeing farther only because he “stood on the shoulders of giants”). See Debra L. Quentel, “*Bad Artists Copy. Good Artists Steal.*”: *The Ugly Conflict Between Copyright Law and Appropriationism*, 4 UCLA ENT. L. REV. 39 (1996).

<sup>31</sup> See, e.g., *Mattel v. MCA Records*, 296 F.3d 894, 894–95 (9th Cir. 2002) (finding musical group Aqua’s song “Barbie Girl” to be fair use of the Mattel character and trademark).

<sup>32</sup> See Kushner, *supra* note 15. (noting that “gameplay” is composed of a myriad of factors such as graphics, sounds, physical environments, the tools or weapons which the player uses, the tactics and types of enemies, the physics, the genre of the game, whether the game is designed for a solo player or a group of players, etc., and mods may alter few, some, or all of these factors).

<sup>33</sup> *Id.*

<sup>34</sup> The genre can be changed, for example, from a videogame that simulates football to one that simulates racing. *Id.*

<sup>35</sup> 17 U.S.C. § 106 (2006) (“Subject to sections 107 through 122, the owner of copyright under this title [17 U.S.C.] has the *exclusive rights* to do and to

comprises a derivative work<sup>36</sup> grants copyright holders powerful rights,<sup>37</sup> and the copyright holder's exclusive right to authorize these derivative works has been interpreted to mean that any unauthorized derivative works—so far as they are pervaded by the content of the original copyrightable work—are themselves non-copyrightable.<sup>38</sup> In cases where an unauthorized derivative encompasses significant new expression, this logic can lead to unsettling questions about ownership of the new material.<sup>39</sup> Such concerns are essential in any discussion of mods, and particularly their impact on the market for the original copyrighted games,<sup>40</sup>

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authorize any of the following: . . . to prepare derivative works based upon the copyrighted work.”) (emphasis added).

<sup>36</sup> 17 U.S.C. § 101 (2009) (“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.’”).

<sup>37</sup> ROBERT MERGES ET AL., *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGY AGE* 426 (3d ed. 2003) (arguing that creators such as George Lucas and other authors can earn far greater returns from movie, toy, and other tie-ins than on the original works on which these derivative works are based).

<sup>38</sup> See *Anderson v. Stallone*, 11 U.S.P.Q.2d 1161, 1169 (C.D. Cal. 1989).

<sup>39</sup> See Merges, *supra* note 37, at 434 (“Because there is no blocking copyrights doctrine, copyright law is left with a vacuum in certain cases. What should be done with the hypothetical infringer who creates otherwise protectable new expression? Should that new expression be unprotectable because it derives from an infringement? Should it be in the public domain? Should it be deemed ‘captured’ by the original copyright holder?”).

Professor Jane Ginsburg also addressed this issue in the 1990s, examining the questions raised if an author distributed an unfinished story for public completion and then sought to copyright the result. See W. Joss Nichols, *Painting Through Pixels: The Case for a Copyright in Videogame Play*, 30 COLUM. J. L. & ARTS 101, 103 (2007). This kind of “intentional incitement” of user contribution is exactly what game developers do with respect to courting modders, because a game that develops an active modder community has a significantly longer retail shelf life. See *supra* note 15 (“Half life . . . sold 2.5 million copies . . . in its first year. And their sales would have stalled, but modding extends a game’s life and sparks further sales. . . . Half life didn’t reach its sales peak until its third year; most games peak after a few months.”).

<sup>40</sup> Discussed *infra* notes 116–75 and accompanying text.

because mods do not generally function as “stand-alone” software.<sup>41</sup> Mods simply add to or alter the functions of the original videogame’s software code. This code, generally referred to as the game’s “engine,” already resides on the user’s hard drive.<sup>42</sup> As a result, mods will not operate unless the user has also installed (and therefore presumably purchased) the original videogame.<sup>43</sup>

As a check on the scope and power of the derivative works doctrine, some unauthorized derivative works are nonetheless permissible—and themselves copyrightable. Under the doctrine of such “fair use,”<sup>44</sup> “a holder of the privilege [is allowed] to use copyrighted material in a reasonable manner without the consent of the copyright owner.”<sup>45</sup> The fair use limitation on a copyright

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<sup>41</sup> See Kushner, *supra* note 15.

<sup>42</sup> The core software code of a videogame is often referred to as the “game engine,” but given the modular nature of such software, the term is imprecise. Some of a videogame’s software code controls “rendering” or creating the visual images a player will actually see, some of it controls elements which are invisible yet still shape the player’s experience (such as artificial intelligence (AI) or physics simulations), and still other code controls mundane, entirely behind-the-scenes functions (such as digital file management or interfacing with the computer’s operating system). See The Editors of Gamasutra, “*Game Engine*” versus “*Rendering Engine*”, GAMASUTRA.COM, Nov. 26, 2001, [http://www.gamasutra.com/php-bin/letter\\_display.php?letter\\_id=114](http://www.gamasutra.com/php-bin/letter_display.php?letter_id=114) (last visited Sept. 30, 2009). See also Richard Carey, *Serious Game Engine Shootout: A Comparative Analysis Of Technology For Serious Game Development*, SERIOUS GAMES SOURCE, [http://seriousgamessource.com/features/feature\\_022107\\_shootout\\_1.php](http://seriousgamessource.com/features/feature_022107_shootout_1.php) (last visited Oct. 17, 2009) (discussing various game engines and the advantages of each for artists interested in creating “serious” games and educational simulations). The fact that much of the software’s function remains invisible to the player further underscores the difficulty of exactly what new “expression” is (or should be) evaluated regarding a mod’s transformative nature—the frequently minor changes or additions to the software code, or the potentially dramatic changes to the player’s experience of the game.

<sup>43</sup> See Kushner, *supra* note 15.

<sup>44</sup> See Pamela Samuelson, *Fair Use For Computer Programs and Other Copyrightable Works in Digital Form: The Implications of Sony, Galoob and Sega*, 1 J. INTELL. PROP. L. 49 (1993).

<sup>45</sup> *Narell v. Freeman*, 872 F.2d 907, 913 (9th Cir. 1989).

holder's exclusive rights is codified in § 107 of the Copyright Act.<sup>46</sup> Four factors are considered when determining fair use:

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.<sup>47</sup>

The final factor has generally been held to be the “most important, and indeed, central fair use factor.”<sup>48</sup>

However, particularly with respect to the modification of computer software, the analysis of derivative works and fair use has been contentious.<sup>49</sup> More importantly, such analysis has been inconsistent in key cases involving modification of videogames.<sup>50</sup> As discussed, treating a mod as nothing more than an alteration of the underlying copyrighted videogame<sup>51</sup> would cause mods to fall

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<sup>46</sup> 17 U.S.C. § 107 (2000).

<sup>47</sup> *Id.*

<sup>48</sup> See *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*, 964 F.2d 965, 971 (9th Cir. 1992).

<sup>49</sup> See Lateef Mtima, *So Dark the Con(tu) of Man: The Quest for a Software Derivative Work Right in Section 117*, 69 U. PITT. L. REV. 23, 23 (2007) (arguing for “judicial recognition of a new ‘public derivative work privilege’ to create non-competitive derivative software programs from preexisting works”). A central point in her argument is that the utilitarian nature of the software code is “not immediately compatible” with copyright’s goal of encouraging artistic expression. *Id.* at 25. I’ve argued a similar point regarding mods: that the new “expression” that should be evaluated as to the “transformative” elements of the fair use test should be tied to changes in the player’s *experience*, not changes to the underlying (and completely invisible to the player) software code. The software changes might well be minor (and seemingly non-transformative) while the changes to the experience of the game might be vast. See John Baldrice, *Mod as Heck: Frameworks for Examining Ownership Rights in User-Contributed Content to Videogames, and a More Principled Evaluation of Expressive Appropriation in User-Modified Videogame Projects*, 8 MINN. J.L. SCI. & TECH. 681 (2007).

<sup>50</sup> See MERGES, *supra* note 37 (questioning the consistency of *Galoob* and *Micro Star*, and suggesting that *Micro Star* might not have been a case involving a derivative work).

<sup>51</sup> See Kushner, *supra* note 15.

under the doctrine of derivative works.<sup>52</sup> It would also strip modders of copyright protection and subject them to liability if the modifications were unauthorized by the original copyright holder.<sup>53</sup> Though formative case law ostensibly adopted such a conception,<sup>54</sup> mods could more properly be envisioned as expression which makes fair, transformative use of copyrighted material.<sup>55</sup>

B. *The Rationale and Development of Compulsory Licensing for Music Recordings*

Though musical recordings, like mods, were a form of interpretive expression only made possible by a new technology, the arrival of such technology was a much slower process. For

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<sup>52</sup> See Paul Goldstien, *Derivative Rights and Derivative Works in Copyright*, 30 J. COPR. SOC'Y U.S.A. 209 (1983). See also 17 U.S.C. § 101 (2009) ("A 'derivative work' is a work based upon one or more pre-existing 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.'").

<sup>53</sup> See, e.g., *Anderson v. Stallone*, 11 U.S.P.Q.2d 1161 (C.D. Cal. 1989) (holding that an unsolicited treatment written as a proposal for a fourth "Rocky" film is an unauthorized derivative work, and therefore the writer had no cause of action for copyright infringement when the storyline of Rocky IV arguably incorporated the details of the treatment).

<sup>54</sup> See *Midway Mfg. Co. v. Artic Int'l, Inc.*, 704 F.2d 1009 (1983) (holding that a circuit board which merely "speeded up" an arcade game was found to be a derivative work); *Galoob Toys, Inc. v. Nintendo of America, Inc.*, 964 F.2d 965 (holding that even if a device which altered a game (including speeding up the action) were be found to be a derivative work, it would fall within fair use); *Micro Star v. FormGen, Inc.*, 154 F.3d 1107 (9th Cir. 1998) (holding that new levels created to work with a game were derivative works, and also not within fair use). Of these cases, only *Micro Star* addressed a work that would typically be considered a mod—additional software code stored on the user's hard drive functioned *in concert* with the original software code and changed the output experienced by the user. However, the ruling in *Micro Star* concerned a relatively simple type of mod, known as a "map" (the basic 3D environment in which the avatars can move about). *Id.* at 110. Thus *Micro Star* is only arguable precedent in light of recently developed, more extensive user-created mod projects, which can vastly transform the entire experience of a game.

<sup>55</sup> See, e.g., *Mattel v. MCA Records*, 296 F.3d 894, 894–95 (9th Cir. 2002).

hundreds of years, the only method of “fixing” music in a tangible form was in the abstraction of sheet music as a musical composition.<sup>56</sup> As a result, prior to the Copyright Act of 1909, composers and songwriters had no legal right to control the mechanical reproduction of their music.<sup>57</sup> The earlier version of the copyright statute had not contemplated the technologies that allowed turn-of-the-century musicians to make a “mechanical” recording of their musical performances (via wax cylinders, piano rolls, phonograph records and the like), and the Supreme Court had held that such recordings were not “copies” of what was the protected expression—the underlying sheet music.<sup>58</sup>

As the market for these musical recordings grew, Congress sought a balance.<sup>59</sup> It granted copyright in these recordings in order to benefit the composers.<sup>60</sup> At the same time, Congress was concerned about development of “a mechanical music trust”<sup>61</sup> where a few companies control all of the copyrights of musical recordings.<sup>62</sup> Congress therefore instituted a compulsory licensing scheme whereby anyone could secure the right to use a musical composition to make a mechanical recording for a statutorily

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<sup>56</sup> A phonautograph, permitting the earliest known recording of sound, was invented in 1860s. See Jody Rosen, *Researchers find song recorded before Edison's phonograph*, <http://www.nytimes.com/2008/03/27/health/27iht-27soun.11462356.html> (last visited Nov. 21, 2009). Thomas Edison invented his phonograph approximately 20 years later. See Jody Rosen, *Researchers Play Tune Recorded Before Edison's*, N.Y. TIMES, Mar. 27, 2008, available at <http://www.nytimes.com/2008/03/27/health/27iht-27soun.11462356.html>.

<sup>57</sup> Jeffrey A. Wakolbinger, *Compositions Are Being Sold for a Song: Proposed Legislation and New Licensing Opportunities Demonstrate the Unfairness of Compulsory Licensing to Owners of Musical Compositions*, 2008 U. ILL. L. REV 803, 805 (2008).

<sup>58</sup> *Id.* (citing Paul S. Roselund, *Compulsory Licensing of Musical Compositions for Phonorecords Under the Copyright Act of 1976*, 30 HASTINGS L. J. 683, 690 (1979)).

<sup>59</sup> *Id.*

<sup>60</sup> *Id.*

<sup>61</sup> *Id.* See also Lemley, *supra* note 12.

<sup>62</sup> Such a trust was feared partly because of the expense of recording technology. *Id.* (citing Paul S. Roselund, *Compulsory Licensing of Musical Compositions for Phonorecords Under the Copyright Act of 1976*, 30 HASTINGS L. J. 683, 686–87 and n. 21–22 (1979)).

determined fee, provided that the recording musician filed notice with the copyright office and received authorization from the copyright holder for such use.<sup>63</sup>

After this compulsory licensing scheme was enacted, a burgeoning music-recording marketplace developed, and the phonorecords themselves—as opposed to printed sheet music—became the primary medium for distributing musical compositions.<sup>64</sup> This has made mechanical royalties one of the most important income sources for songwriters.<sup>65</sup> Despite calls by some to abolish the licensing regime, the architects of the 1976 Copyright Act acknowledged that such licensing had been instrumental in the development of the recording industry.<sup>66</sup> As a result, while the 1976 Copyright Act attempted to take into account some of the trade practices that developed,<sup>67</sup> it remained largely the same as the 1909 Act. The barrier to market entry also remained low for artists who wished to “cover” a song; the licensing fee was raised to approximately three cents per song, per each mechanically produced copy.<sup>68</sup>

C. *Players Versus Players: The Analogous Nature of Transformative Expression in Both Musical Cover Recordings and Videogame Mods*

In many ways, the similarities between early music reproduction technology and modern computer software are striking; the nature of software copyright can be analogized to the

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<sup>63</sup> Jeffrey A. Wakolbinger, *Compositions Are Being Sold for a Song: Proposed Legislation and New Licensing Opportunities Demonstrate the Unfairness of Compulsory Licensing to Owners of Musical Compositions*, 2008 U. ILL. L. REV. 803, 805 (2008) (citing Copyright Act of 1909, Pub. L. No. 60-349, §§ 1(e), 25(e), 35 Stat. 1075, 1076, 1081–82 (1909)).

<sup>64</sup> *Id.* at 806.

<sup>65</sup> *Id.*

<sup>66</sup> *Id.* at 806–07.

<sup>67</sup> For example, the notice period was lengthened to reflect the practice of recording the song first and obtaining the license second. *Id.* (citing Copyright Act of 1976, Pub. L. No. 94-553, § 115 (b)(1), 90 Stat. 2541, 2561–62 (codified as amended at 17 U.S.C. § 115 (2006))).

<sup>68</sup> See Wakolbinger, *supra* note 8, at 806.



nature of music reproduction devices like the player piano.<sup>69</sup> In such a musical playback device, the “software” instructions (the code of punch holes in the piano roll, or the grooves in a wax cylinder) tell the playback “hardware” (the player piano or the phonograph) what notes to generate. The playback device then decodes these instructions to produce a sound that is a perfect reproduction of the original performance, or at least “perfect” with respect to the elements of the performance that a particular recording technology is able to capture.<sup>70</sup> In many respects, this kind of “perfect” reproduction process is what we think of when we think of the character of computer software - a set of instructions to be followed exactly, in a machine-like manner, with no room for human interpretation.

However, in the process of recording music, there exists a separate “instruction-and-decoding” relationship in which human interpretation *is* relevant—that between the *musician* and the musical *composition*. This second relationship makes the analogy between recorded music and modded games more apparent. Here, the “software” is the written instructions of the sheet music, and the relevant “hardware” is not a mechanical automaton (like a player piano), but instead is the musician who must translate the sheet music’s scribble of notes and rests, and whose talent must fill in the voids in this set of abstract instructions to create an actual musical performance—call it “software-plus-expression.” Critically, it was this second creative process—a musician’s interpretation of the ambiguity of a musical composition—that Congress expressly intended to protect with compulsory licensing.<sup>71</sup> Indeed, the written series of notes were themselves a set of *fixed instructions for creating music*, and were copyrightable

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<sup>69</sup> *The History of Software Copyright*, *supra* note 18 (“Before the advent of digital computers controlled by computer programs, there was another device whose particular function was controlled by an encoded sequence of instructions the player piano.”).

<sup>70</sup> For instance, a player piano “recording” performance will obviously only capture the series and timing of a musician’s striking of the piano keys, not the sound of his voice if he sings in accompaniment.

<sup>71</sup> See Morrison, *supra* note 9, at 97. (“[T]he mechanical license . . . gives the new performer all of the ambiguity that falls between sheet music and a final performance.”).

as such. However, these instructions were incomplete without the musician's contribution of talent,<sup>72</sup> were themselves invisible to the audience, and, most importantly, were not the audience's experience of the *music itself*.<sup>73</sup> As a result, each individual musical performance—even those following the same sheet music—was inevitably destined to be a wholly different creative expression for each musician and each audience.

As the technology arose to fix that unique musical expression in a recordable form, Congress implicitly endorsed three presumptions in crafting a legislative response first, that such a recording was copyrightable;<sup>74</sup> second, that the ownership of the copyright of a particular recording should reside with the musician who performed it;<sup>75</sup> and finally, that the benefits to the public made possible by these recordings justified a simplified, standardized, and centralized licensing system.<sup>76</sup>

Videogame modders make a creative contribution analogous to the recording musician. The resulting new gameplay experience is like a musical performance—a wholly new “software-plus-expression.” As with sheet music, the software that creates the original game experience is invisible to the ultimate audience (the players). And, as with musical notation, the copyrighted expression that has been fixed in lines of computer code—essentially just a long, written series of ones and zeros or other abstractions—is nothing like the audience's final experience of the game itself.<sup>77</sup> A modder's creative contribution, similar to a musician's, is to add to the original software's abstract instructions in order to create an entirely different gameplay “performance” for the audience. If this line of reasoning were followed to its logical conclusion, mods' similarities to musical recordings should merit analogous treatment under a similar statutory licensing regime.

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<sup>72</sup> *See id.*

<sup>73</sup> *See id.*

<sup>74</sup> *Id.*

<sup>75</sup> *Id.*

<sup>76</sup> *See id.* at 98.

<sup>77</sup> *See* Nichols, *supra* note 39, whose argument that the user's game “play” itself be copyrightable implicitly argues that the experience of the game is a separate expression from the software code.

But, as will be discussed, current political and marketplace conditions make such parity unlikely.

### III. WHY COMPULSORY MOD LICENSING MAKES SENSE, AND WHY IT WILL NEVER HAPPEN

Because game developers recognize that modding drastically extends the market for their original games,<sup>78</sup> some developers grant modders access to programming tools, offered modders limited legal rights in their mods,<sup>79</sup> and even doled out financial incentives for modders' efforts.<sup>80</sup> But such creative and financial opportunities for modders are far from universal. Serious questions remain about fairness, ownership, and control of the resulting works.<sup>81</sup> A compulsory licensing arrangement akin to that available to musicians, with clear delineation of rights and responsibilities, would be an obvious solution. But this outcome is

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<sup>78</sup> See Barret, *supra* note 15 ("Half life [sold 2.5 million copies] in its first year. And there sales would have stalled, but modding extends a game's life and sparks further sales. . . . Half life didn't reach its sales peak until its third year; most games peak after a few months.").

<sup>79</sup> See Kushner, *supra* note 15, (noting that Valve's "Steam" digital distribution service gives "mod authors a direct, low-cost channel to sell and market to their customers [and] to generate revenue from their product development"). Though not mods, such revenue models have been introduced by other companies who control digital distribution channels as well. See *Download Player-created Xbox 360 Games*, MINNEAPOLIS STAR TRIBUNE, Feb. 23, 2008, at D3 (allowing amateur programmers to create and upload their own games, but requiring other players to pay a \$99 a year subscription fee in order to be able to download them).

<sup>80</sup> The "Make Something Unreal" mod contest has been sponsored several times by Epic, Inc, and recently awarded the top modders prizes valued at \$1 million. See Epic Games Inc., *Make Something Unread*, <http://www.make-somethingunreal.com/> (last visited Sept. 30, 2009). Notably, however, the grand prize was a commercial for the company's game engine (the "Unreal Engine"), valued at \$350,000, which underscores the fact that individual modders have effectively no ability to afford such licenses otherwise. See *id.*

<sup>81</sup> See David Kushner, *D.I. Why?: Do-it-Yourself Games Like LittleBigPlanet and Halo 3's Forge are Turning Players into Designers, but What's in it for Them?*, ELECTRONIC GAMING MONTHLY, Jan. 2008, at 42-43 (discussing the weaknesses of several user-content creation tools and the systems game developers have put in place to limit the types of user-created content that can be produced).

unlikely for two key reasons: a lack of political will from those outside of the videogame industry and a vested business interest in the status quo from those within.

*A. Congress Has Got No Love for the Game*

Some commentators argue that software<sup>82</sup> and videogame copyrights are misapplied<sup>83</sup> and that users should have clearer rights to modify their software and to claim ownership all forms of creative expression that results from that software's use.<sup>84</sup> Though these ideas may have their own merit,<sup>85</sup> copyright is a constitutional concern for which the responsibility of shaping the system has been delegated to Congress.<sup>86</sup> Yet, unlike its concern for the promotion of musical recordings in the first years of the twentieth century, Congress does not appear inclined to grant statutory protections to promote development of videogames in the first years of the twenty-first. If anything, the political perception

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<sup>82</sup> See generally Pamela Samuelson, *Modifying Copyrighted Software: Adjusting Copyright Doctrine to Accommodate a Technology*, 28 JURIMETRICS J. 179 (1988) (arguing that because all software is a set of instructions that serve as a tool to perform tasks for users, and users may have different requirements, copyright doctrine should allow users to modify any of their legally-obtained software).

<sup>83</sup> See Nichols, *supra* note 39, at 118–19 (suggesting that the game “play” action itself be copyrightable, by making the same arguments as those who have sought copyright protection for sporting events).

<sup>84</sup> See, e.g., Geoffrey James, *Machinima, Microsoft, and Money: Will Game Companies Kill the Goose that Laid the Golden Virus*, OFFICIAL GAMES FOR WINDOWS MAGAZINE, Nov. 2007, at 28–29 (documenting the debate over legal rights of users who choreograph and videorecord their characters’ in-game actions to make computer-generated “films” called “Machinima”). For examples of such films, see Machinima, Inc., <http://www.machinima.com>.

<sup>85</sup> Though these ideas may, as a practical matter, be hopeless, calls for a *sui generis* treatment of software IP protection have generally been met with much success. See U.S. CONGRESS, OFFICE OF TECHNOLOGY ASSESSMENT, COMPUTER SOFTWARE AND INTELLECTUAL PROPERTY—BACKGROUND PAPER, OTA-BP-CIT-61, Appx. B. at 25 (Washington D.C.: U.S. Government Printing Office, Mar. 1990).

<sup>86</sup> The Constitution empowers Congress “[t]o 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.” U.S. CONST. art. I, § 8, cl. 8.

of the cultural worth<sup>87</sup> of videogames has been hostile: Senator Joe Lieberman,<sup>88</sup> Hillary Clinton,<sup>89</sup> and Barack Obama,<sup>90</sup> among many other legislators, have attacked the social merit of videogames on a number of occasions, despite defenders who have accused such politicians of “fanning fear and mistrust of a new entertainment medium”<sup>91</sup> to gain easy political points.

To be fair, this reaction from the politicians is hardly unprecedented. Similar criticisms have been repeated where a new medium or a particular form of expression was perceived as divisive or corrupting of the nation’s youth. In the 1950s, the target was comic books,<sup>92</sup> and in the ‘60s, rock and roll.<sup>93</sup> But the rise of videogames as a new medium may be a particular victim of bad timing. In contrast to music, which existed as a recognized creative medium long before the ability to record it, videogame technology evolved to allow recognizable creative expression only

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<sup>87</sup> This perception has been shared by the judicial branch as well: as discussed *infra*, note 98 and accompanying text, there was debate until recently whether games were protectable, under the First Amendment, as creative expression at all.

<sup>88</sup> Anne Broache, *Video Games in Congress’ Crosshairs*, CNET NEWS.COM, June 2, 2006, [http://www.news.com/Video-games-in-Congress-crosshairs/2100-1028\\_3-6079654.html](http://www.news.com/Video-games-in-Congress-crosshairs/2100-1028_3-6079654.html).

<sup>89</sup> Paul Sweeting, *Hillary Jumps Into Flap Over Grand Theft Auto ‘Mod:’ Wants More ‘Teeth’ In Game Ratings*, VIDEO BUSINESS, July 18, 2005, at 4.

<sup>90</sup> *Obama Campaign Theme: Videogames as Metaphor for Underachievement*, posting to Gamepolitics.com, Feb. 20, 2008, <http://www.gamepolitics.com/2008/02/20/obama-campaign-theme-video-games-as-metaphor-for-underachievement> (discussing that “[Obama’s] speeches . . . often contain a reference to parents making their children ‘put away the video games.’”).

<sup>91</sup> Sweeting, *supra* note 89 (quoting Take Two Interactive, developers of the Grand Theft Auto series).

<sup>92</sup> Todd Leopold, *The Pictures that Horrified America*, CNN.COM, May 8, 2008, <http://www.cnn.com/2008/SHOWBIZ/books/05/08/comic.books/index.html> (discussing David Hajdu, *The Ten Cent Plague: The Great Comic-Book Scare and How It Changed America* (2008), which chronicles attacks on comic books: “[t]owns hosted bonfires to rid themselves of comics; congressional hearings about the issue helped burnish the image of Tennessee’s Estes Kefauver, who had led hearings against organized crime”).

<sup>93</sup> See, e.g., LINDA MARTIN & KERRY SEGRAVE, *ANTI-ROCK: THE OPPOSITION TO ROCK ‘N’ ROLL*, (Da Capo Press 1993) (1988).

*after* the content of that expression had become popularly perceived as threatening and undesirable.<sup>94</sup>

Early musical recording technology merely allowed a creative expression that was already familiar and publicly accepted (piano music) to be experienced in a new way (through a player piano). As a result, judges hearing the early musical recording cases did not question whether the music the piano rolls generated was a form of *creative* expression.<sup>95</sup> They addressed simply whether these recordings were a *copyrightable* expression. The courts' analysis of videogames, on the other hand, essentially proceeded in reverse—with copyright questions decided before the medium itself was fully understood. Videogames arose as a niche subset of a new form of copyrightable content—computer software—that was itself unfamiliar and hard to conceptualize as a form of

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<sup>94</sup> *But see*, Mary Jane Irwin, *Irrational Man*, 1UP.COM, Aug. 24, 2007, <http://www.1up.com/do/feature?pager.offset=4&cId=3162207> (discussing the subject of the inevitable social acceptance of games). According to Ken Levine, President of Irrational Games:

[t]he core issue starts with Microsoft and Sony. They won't license AO [Adults Only rated] games. You can't make an AO game. They won't produce them. They're public companies. I completely give them the right to make that choice.

Whether it's the right business decision is completely up to the industry. You can go to Best Buy and buy unrated movies. They're a business. I believe fully that they make the choice and let the market sort it out. It's a little odd that movie standards are a little different. Unrated version of *Showgirls*? What's the guideline? There's no rating, so who cares? *Taxi Driver*? There's no controversy.

We have a very strict rating system. No retailer will carry unrated games. No retailer will carry games rated over a certain thing. It's a different standard certainly that we're being held to. I think that it's a function of the time. You go buy comic books now, there is no comic book rating system. There used to be, but eventually the attention went away. It's not like seeing the art in comic books is going to destroy children's minds. It's not like they're less capable of destroying children's minds. Remember when the first *Mortal Kombat* came out? Remember that was a big thing. Now you look at those graphics and think, 'How could this offend anybody?' They're incredibly goofy. The standards change. When the next thing comes around, they'll just forget about videogames.")

*Id.*

<sup>95</sup> *See White-Smith Music Pub. Co. v. Apollo Co.*, 209 U.S. 1 (1908).

expression, both by the public at large, and by the judges tasked with drawing an analogy to existing legal doctrines.<sup>96</sup> As a result, while early and technical court decisions determined how games would be treated as copyrightable expression,<sup>97</sup> judicial debate still raged—until very recently—as to whether games warranted First Amendment protection, as creative expression.<sup>98</sup>

Throughout their relatively short existence, videogames have therefore been saddled with a historical and social disconnect regarding their fundamental value as creative expression. Recognition of videogames as a medium for expression has been stymied by criticisms directed at the content of that expression, and by lawmakers who continue to hunt for ways to limit videogames' cultural reach.<sup>99</sup> This is a political climate that recording musicians

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<sup>96</sup> See Samuelson, *supra* note 81, at 180–81. This unfamiliarity has been frequently criticized as having led to a web of software copyright and patent laws that based protection for computer software on mistaken and overly-technical distinctions, rather than on an awareness of software's cultural benefits. See, e.g., Richard Stallman, *Reevaluating Copyright: The Public Must Prevail*, <http://www.gnu.org/philosophy/reevaluating-copyright.html> (last visited Oct. 8, 2009) (philosophical statement written by the designer of the GNU operating system and architect of the Free Software Movement, which is dedicated to open source software development). Richard Stallman, *Reevaluating Copyright: The Public Must Prevail*, 75 OR. L. REV. 291 (1996).

<sup>97</sup> See, e.g., *Midway*, *supra* note 17.

<sup>98</sup> Chris Morris, *Constitution Protects Video Games: Appeals Court Overturns Controversial District Court Ruling, Saying Games Qualify as Free Speech*, CNNMONEY.COM, June 3, 2003, [http://money.cnn.com/2003/06/03/technology/games\\_firstamendment/](http://money.cnn.com/2003/06/03/technology/games_firstamendment/) (quoting the 8th Circuit, “[I]f the First Amendment is versatile enough to ‘shield [the] painting of Jackson Pollock, music of Arnold Schoenberg, or Jabberwocky verse of Lewis Carroll,’ we see no reason why the pictures, graphic design, concept art, sounds, music, stories, and narrative present in video games are not entitled to a similar protection. . . .” The mere fact that they appear in a novel medium is of no legal consequence.”).

<sup>99</sup> There are also numerous constitutional difficulties in doing so. See, e.g., Tim Pugmire, *Minnesota Legislature Moving Toward Video Game Ban*, MINNESOTA PUBLIC RADIO ONLINE, May 18, 2006, <http://minnesota.publicradio.org/display/web/2006/05/18/video/> (quoting Rep. Jeff Johnson, R–Plymouth, “We’re not talking about R-rated slasher movies here. We’re not talking about cops and robbers. . . . We’re talking about absolutely disgusting stuff in at least some of these games.”); see also *Is Minnesota Video Game Appeal Heading to US Supreme Court?*, GAMEPOLITICS.COM, May 9, 2008,

did not face at the time compulsory mechanical licensing was established by Congress,<sup>100</sup> and it does not bode well for modders' chances to earn a similar Congressional response.

B. *Unlike Music Publishers, the Videogame Industry Does Not Want the Help*

Another key obstacle to an implementation of a compulsory licensing scheme for game mods is that, unlike the music publishers and industry, the game developers and game publishing industry are reluctant to abandon a scheme in which they already enjoy substantial benefits and negotiation power.

In addition to the benefits to individual musicians and many composers in the form of reduced negotiation transaction costs,<sup>101</sup> music publishers have traditionally welcomed the compulsory licensing scheme because it increases profits and convenience.<sup>102</sup> Though this licensing regime has been criticized, and may arguably hurt individual composers in some cases,<sup>103</sup> the arrangement has been considered sufficiently beneficial—because of the wealth of expression promoted by allowing such recordings—for the courts to retain and apply it for almost 100 years.<sup>104</sup>

Unlike its embrace by the music industry, implementation of a compulsory licensing scheme for videogame mods would likely meet more resistance by the videogame industry. The nature and size of the parties and the arrangement of power in a video game project are different than in a musical recording project. Even before the advent of compulsory mechanical licensing, musicians

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<http://gamepolitics.com/2008/05/09/is-minnesota-video-game-appeal-heading-to-us-supreme-court/>.

<sup>100</sup> However, it is an interesting hypothetical question whether the Congress that so enthusiastically drafted the 1909 Act would have been as eager to promote music recordings as a form of creative expression if recordings of the Sex Pistols had predated the dulcet tones of the player piano. See Morrison, *supra* note 9.

<sup>101</sup> Wakolbinger, *supra* note 8, at 806.

<sup>102</sup> *Id.*

<sup>103</sup> *Id.* (calling for repeal of compulsory mechanical licensing).

<sup>104</sup> See Morrison, *supra* note 9.



wishing to record an existing song had only to negotiate with the original composer (or someone who held their rights). In the videogame context, however, the parties analogous to these original “composers” are generally large game development studios rather than individuals. Second, unlike the early music recording industry, which was still nascent when mechanical licensing was enacted, the game development industry is well established and often comprised of large corporations<sup>105</sup> whose revenues rival, if not exceed, any other form of mass media.<sup>106</sup> On the other side of the potential licensing transaction are the modders, whose projects are much smaller scale, involving generally a handful of programmers at most. As a result, these individual modders are at an even larger disadvantage in negotiating licensing agreements with the relevant copyright holders than were individual recording musicians of the past.

While the commercial licensing of videogame software and engines is frequent, such licensing has generally been relegated to arrangements between large-scale game developers because the costs associated are in the hundreds of thousands of dollars.<sup>107</sup> In addition, such licenses are generally intended to be used for development of videogames that will be released as “stand-alone”<sup>108</sup> products,<sup>109</sup> and even as videogames that may compete with the developer’s original game,<sup>110</sup> contributing to the high

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<sup>105</sup> See, e.g., Electronic Arts, Inc., [http://en.wikipedia.org/wiki/Electronic\\_Arts](http://en.wikipedia.org/wiki/Electronic_Arts) (last visited May 8, 2008).

<sup>106</sup> See, e.g., Maggie Lake, *Grand Theft Auto 4 Set to Blast Sales Records*, CNN.COM, Apr. 28, 2008, <http://www.cnn.com/2008/TECH/04/29/grand.theft.auto/> (projecting \$400 million in the first week of sales) (last visited Sept. 30, 2009).

<sup>107</sup> See DevMaster.net, Unreal 3, [http://www.devmaster.net/engines/engine\\_details.php?id=25](http://www.devmaster.net/engines/engine_details.php?id=25) (an online database of 3D graphics engines, which estimates that one popular game engine, “Unreal 3,” costs \$700,000 to license) (last visited May 8, 2008).

<sup>108</sup> See Kushner, *supra* note 15.

<sup>109</sup> See, e.g., List of Unreal Engine Games, [http://en.wikipedia.org/wiki/List\\_of\\_Unreal\\_Engine\\_games](http://en.wikipedia.org/wiki/List_of_Unreal_Engine_games) (describing that more than 100 commercially-released videogames, representing different genres and different developers, have licensed the “Unreal Engine”) (last visited May 8, 2008).

<sup>110</sup> For instance, the “Unreal Engine” was developed for a genre of videogames known as “first person shooters,” or FPSs, where the player sees

pricing regime. Mods should logically license for less, because they do not represent direct market competition for the original game. However, such a lower-priced licensing model has not been a common marketplace reality. As a result, modders have effectively become locked out of any legal access to modern game engine technology, except when they are allowed to create mods “by the grace” of an individual developer turning a blind eye to the modder’s work. This centralization of power and control over a new technology that allows a new medium of expression—a “game engine trust”—is exactly the kind of situation that the 1909 compulsory licensing provisions were designed and enacted to prevent.<sup>111</sup>

Current game industry practice undermines modders’ creative autonomy in two additional important ways. First, even when modders’ work is permitted or encouraged by the original game’s developers, modders are generally prevented by the original game’s End User License Agreement (“EULA”)<sup>112</sup> from offering their mods for sale, unlike musicians recording a cover song. As a result, developers reap significant unearned market benefits from the modders’ effectively *pro bono* work, as the modders’ work

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through the eyes of his virtual avatar. “Unreal” was published by Epic, Inc., but the engine was licensed to a number of FPSs by other developers, including “Deus Ex,” “Clive Barker’s ‘Undying,’” and “America’s Army,” an FPS developed by the US army and distributed to players for free as a recruitment tool. *See id.* *See also* Kent Harris, *Shoot House Tests Servicemembers With Video Technology*, STARS AND STRIPES, Sept. 9, 2009, <http://www.stripes.com/article.asp?section=104&article=64652> (last visited Sept. 30, 2009).

<sup>111</sup> Skyla Mitchell, *Reforming Section 115: Escape from the Byzantine World of Mechanical Licensing*, 24 CARDOZO ARTS & ENT. L.J. 1239, 1242 (2007) (“[T]he legislature feared the creation of a ‘great musical monopoly’ with these newly granted rights. . . . [T]he Aeolin player piano company hit upon an idea that . . . consumers would buy more of its pianos if it sewed up exclusive deals with copyright owners of musical compositions. You want to hear ‘Melancholy Baby,’ you have to buy Aeolian.”). *See also* Morrison, *supra* note 9.

<sup>112</sup> A EULA is a blanket licensing agreement (usually viewable at installation) that governs use of the installed game software. *See* Annalee Newitz, *Dangerous Terms: A User’s Guide to EULAs*, ELECTRONIC FRONTIER FOUNDATION, <http://w2.eff.org/wp/eula.php> (last visited Oct. 17, 2009).

lengthens the longevity of the developers' original games.<sup>113</sup> The existence of a modder community also expands the eventual talent pool that developers can draw from,<sup>114</sup> and developers often recruit new talent based on the strength of their mods.<sup>115</sup> Yet the developers give up nothing in exchange to financially support the modders' contributions to the industry. Second, the modders' freedom to work on a mod is entirely at the whim of the developer. If modders wish to tackle a touchy subject or theme that the game developers oppose,<sup>116</sup> the developers can simply pull the plug and demand the modder *cease and desist*.<sup>117</sup> It would be as if a composer could arbitrarily prevent subsequent musicians from recording a controversial interpretation of the original song that they found disagreeable or just didn't like—versions which often become the most notable cover recordings<sup>118</sup>

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<sup>113</sup> Tom Chick, *The Shape of Mods to Come: A Look at the Future of User Made Game Modifications*, GAMESPY.COM, (Dec. 3, 2002), <http://archive.gamespy.com/futureofgaming/mods/> (chronicling a number of game developers' efforts to court modders and acknowledging the positive effect that mods can have on the market for a game) (last visited Sept. 30, 2009).

<sup>114</sup> Not that this situation is unique to game development. It's a common criticism that many creative industries (film, music) intentionally stoke the dreams and ambitions of aspiring amateurs to drum up cheap labor and then respond to demands for better work conditions with a "you're lucky to work for us at all" attitude.

<sup>115</sup> See Kushner, *supra* note 15.

<sup>116</sup> A virtually identical situation presents itself when users create "fanvids," where copyrighted media and characters are placed into user-created scenarios. See Sarah Trombley, *Visions and Revisions: Fanvids and Fair Use*, 25 CARDOZO ARTS & ENT. L.J., 647, 679–80 (2007) (discussing copyright-holder objections such as depiction of their characters in same-sex relationships).

<sup>117</sup> Microsoft Corporation has made this policy explicit, attempting to prohibit the use of their games in creating a host of what they deem objectionable creative projects. See James, *supra* note 84. See also Chris Reid, *Machinima: A New Art Form Faces Legal Uncertainty*, IPLJ.Net, (Jan. 23, 2008), <http://iplj.net/blog/2008/01/23/machinima-a-new-art-form-faces-legal-uncertainty> (last visited Sept. 30, 2009).

<sup>118</sup> See *The Cover Changes The Meaning*, posting to TELEVISION TROPES AND IDIOMS, <http://vtvtropes.org/pmwiki/pmwiki.php/Main/TheCoverChangesTheMeaning> (extensive list of cover songs whose interpretations challenge the political, religious, gender, and other conventions of the originals) (last visited Nov. 2, 2009); Cf. Graeme Thomson, *The Ten Worst Cover Songs*, THE

As a result of these various industry and political realities, development of a compulsory licensing scheme for videogame modding remains unlikely at best. So the question remains, what changes in the legal treatment of such user created content might realistically be achieved?

#### IV. THE MODEL OF COMPULSORY MUSIC LICENSING CAN GUIDE A FAIRER APPLICATION OF FAIR USE TO VIDEOGAME MODS

With a statutory licensing scheme unlikely, modders must ultimately rely on the fair use doctrine, which allows an unauthorized derivative work of a copyrighted work to be protected from a claim of infringement and be copyrightable. While the doctrine considers many factors, market failure—including the difficulty (or effective impossibility) of obtaining authorization to produce such a derivative work—is a key one. With the absence of a licensing option for modders, such market failure arguably occurs, weighing heavily in favor of a finding of fair use.<sup>119</sup> Such market failure also suggests a reexamination of the reasoning of early videogame modification cases that reached their holdings in a largely undeveloped marketplace context.<sup>120</sup>

Despite the importance of market failure to findings of fair use, some cases have held that damage to a non-existent but “potential licensing market” would be insufficient to allow fair use<sup>121</sup>—a seemingly paradoxical result. However, following the similarities

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OBSERVER MUSIC MONTHLY, Oct. 17, 2004, [http://observer.guardian.co.uk/omm/story/0,,1325676,00.html#article\\_continue](http://observer.guardian.co.uk/omm/story/0,,1325676,00.html#article_continue) (last visited Sept. 30, 2009).

<sup>119</sup> See Trombley, *supra* note 116, at 677–78. However, some cases have held that damage to even a “potential licensing market” would prohibit fair use.

<sup>120</sup> See *id.* at 682 (“In the past, technological barriers excluded individuals from full participation in the creation of their own culture. Now, even as modern technology puts the capacity to enter into media discourse on its own terms into the hands of average consumers, copyright threatens to shut them out.”).

<sup>121</sup> See *American Geophysical Union v. Texaco Inc.*, 60 F.3d 913 (2d Cir. 1994) (concluding that unpermitted photocopying directly competes with the ability of publishers to collect license fees for such photocopying). This apparent paradox will be discussed further *infra*, note 147 and accompanying text.

between mods and cover recordings, the compulsory music licensing rationale can help courts apply the fair use analysis in a more predictable and consistent fashion. Essentially, where a “potential licensing market” for modders would not be at least as balanced and applicable to the needs of individual modders as is the analogous licensing market for individual musicians, then such a “potential licensing market” is illusory—and is, in actuality, a market failure. A number of key elements, borrowed and adapted from analogous provisions of the music licensing scheme, would be essential to guaranteeing that modders have comparable creative freedoms. Absent a mod licensing scheme that actually incorporated such elements, and barring a showing of any countervailing harms to the original developer, a finding of fair use should be presumed to apply to modders’ work.

*A. The Current Treatment of Mods Represents a Market Failure*

Though the videogame industry has, at times, been supportive of modders,<sup>122</sup> the industry nonetheless lacks a consistent and affordable licensing scheme for modders.<sup>123</sup> This is not the result of malice, but rather, of market failure. Such market failure argues strongly for existence of a fair use exception for game mods.<sup>124</sup>

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<sup>122</sup> See Chick, *supra* note 113.

<sup>123</sup> The question of whether modders would actually pay for such licenses, if offered, is an open one, but experience in similar user-created media suggests that they would. See Trombley, *supra* note 116, at 677–78 (“[User-creators] are not generally wild-eyed Internet pirates or free riders; most of them have a keen respect for the creators of their sources and the capacity to understand the costs involved in their production. Although some . . . would choose not to create if they were forced to pay a licensing fee . . . others would probably be willing to pay a reasonable fee.”).

<sup>124</sup> See Wendy J. Gordon, *Fair Use as Market Failure: A Structure and Economic Analysis of the Betamax Case and its Predecessors*, 82 COLUM. L. REV. 1600, 1610–11 (1982). But see Michael J. Meurer, *Too Many Markets or Too Few? Copyright Policy Toward Shared Works*, 77 S. CAL. L. REV. 903, 903–09 (1989) (rejecting market failure as the appropriate basis for fair use, but acknowledging that proper analysis requires attention to the way that copyright shapes markets, and whether copyright owners have the right to compel direct negotiations with each individual potential licensee, or whether they may be forced to deal with an intermediary licensing structure).

In an ideal market, given the minimal effect of user-created projects like mods upon the economic interest of the original copyright holder, copyright holders would be able to charge a fee for the use of their game engine proportionate to the value that the modder places on that right, and thereby avoid legal dispute over infringement.<sup>125</sup> However, there are a number of practical barriers that prevent such an equitable licensing market from developing. First, modders, like other user-creators, are usually individuals or small groups who are generally economically and legally unsophisticated bargainers.<sup>126</sup> In addition, because modders are frequently working on esoteric projects with limited commercial potential, modders have imperfect information about the market value of their projects, and therefore of the reasonableness of a particular licensing fee.<sup>127</sup> Further, because the creation, distribution, and marketing of mods differ vastly from large-scale commercial videogames and because the use might change as the project progresses, licenses required by modders must be tailored precisely to their particular individual use.<sup>128</sup> These kinds of negotiations also typically require the assistance of attorneys—making transaction costs infeasible to individual amateur artists.<sup>129</sup>

Additionally, commercial videogames, like other multimedia content,<sup>130</sup> may include the contributions of a number of parties such as musicians and visual artists with ownership in these individual contributions to the overall work. Without an ability to deal with the game developer or publisher as a central intermediary, modders must attempt to negotiate with each of these various artists to obtain the necessary rights. This situation is referred to as a “tragedy of the anticommons” because such an

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<sup>125</sup> See Trombley, *supra* note 116, at 678.

<sup>126</sup> *Id.*

<sup>127</sup> *Id.*

<sup>128</sup> *Id.*

<sup>129</sup> *Id.*

<sup>130</sup> See John C. Yates, *Negotiating Multimedia Agreements: Issues Associated with Acquiring Multiple Rights from Multiple Parties*, PRACTICING LAW INSTITUTE: PATENTS, COPYRIGHTS, TRADEMARKS, AND LITERARY PROPERTY COURSE HANDBOOK SERIES, Jan. 2002. See also Jennifer D. Choe, *Interactive Multimedia: A New Technology Tests the Limits of Copyright Law*, 46 RUTGERS L. REV. 929 (1994).

effort would be cost prohibitive for the modders interested in a small-scale creative project.<sup>131</sup>

Furthermore, because licensing fees that individual modders could afford to pay are so low in comparison to the high costs of creating the game engines, many videogame developers do not currently see mod licensing as a beneficial and profitable market. This is, again, driven in part by high transaction costs. Although the game developer (holder of the copyright) may be the more sophisticated party, he or she must also bear the “transaction costs in multiple individualized negotiations with single users, which will quickly overwhelm any profit likely to be realized [by] an appropriately-set fee.”<sup>132</sup> This stalemate situation is also caused by developers’ self interest. With game developers already reaping the benefit of the status quo, developers have little incentive to undertake development of a formal licensing arrangement.<sup>133</sup>

Finally, game developers may have legitimate concern that “their products’ carefully-crafted images may be tarnished or diluted by works which veer off in different artistic directions,”<sup>134</sup> or, more troublingly, skirt into territory that is indecent or pornographic. They fear that the developers’ brands—or the developer itself—will be held accountable. This fear is not entirely unfounded. One of the most recent well known videogame controversies involved user modification.<sup>135</sup> A commercial videogame, “Grand Theft Auto: San Andreas,” was modified so that the 3D characters within it could be seen in

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<sup>131</sup> See Trombley, *supra* note 116, at 678–79, citing Michael A. Heller, *The Tragedy of the Anticommons: Property in the Transition from Marx to Markets*, 111 HARV. L. REV. 621, 622 (1998); Dan Hunter, *Cyberspace as Place and the Tragedy of the Digital Anticommons*, 91 CAL. L. REV. 439 (2003) (discussing situations where rights are dispersed so widely that the transaction costs of obtaining all of the required permissions and licenses becomes prohibitive).

<sup>132</sup> See Trombley, *supra* note 116, at 678.

<sup>133</sup> where the creation of mods benefits the longevity of the market for the original games, rather than harming it. See Barret, *supra* note 15.

<sup>134</sup> Trombley, *supra* note 116, at 679 (“[F]ans [who create expression based on the copyright owner’s IP] are still often ‘seen as eccentric at best, delusional at worst.’”).

<sup>135</sup> This was known in shorthand as the “Hot Coffee” debacle. See Sweeting, *supra* note 89.

several scenes pantomiming sexual acts.<sup>136</sup> At first, the game's developer, Rockstar Studios, intimated that the content of these scenes had been created entirely by modders.<sup>137</sup> Shortly afterward, it was revealed—by the modder himself—that the modder's actions had only unlocked digital content that had originally been created by Rockstar and left in the final game code on the DVD, but had been disabled by Rockstar before publishing the game.<sup>138</sup> Rockstar maintained, however, that it was unfair for the studio to be judged on content that was edited from the game, and had always intended to be hidden from players.<sup>139</sup> Their argument had logical merit—it was analogous to holding a painter responsible for images remaining on a canvas, even after they had been painted over. There were also rational and legitimate reasons why the disabled content might have remained in the game code.<sup>140</sup> But the response of the public was not concerned with such distinctions.<sup>141</sup> Politicians and lawmakers took the opportunity to blast videogames in general, and Rockstar in particular,<sup>142</sup> with much of this criticism completely ignoring the fact that the independent actions of amateur programmers had been involved, and laying blame for the content solely upon the game developers. Even the videogame industry itself is not immune from such reactionary responses: in a similar case, the industry's own internal rating board retroactively changed a commercial game's content-rating

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<sup>136</sup> *Id.*

<sup>137</sup> CONSUMER ELECTRONICS DAILY, July 11, 2005, (“[Game developer Rockstar] said ‘we also feel confident that the investigation will uphold the original rating of the game, as the work of the mod community is beyond the scope of either publishers or the ESRB [rating board].’”).

<sup>138</sup> See Sweeting, *supra* note 89.

<sup>139</sup> *Id.*

<sup>140</sup> For instance, the fact that—with a complicated computer program—bug testing and quality assurance might need to be redone if a large section of software code was completely deleted from the game, as opposed to simply being disabled.

<sup>141</sup> Eric Pfeiffer, *The Games People Play*, NATIONAL REVIEW ONLINE, July 25, 2005, available at <http://article.nationalreview.com> (to locate article, click “Search”, then click “National Review Online”, enter “Eric Pfeiffer” under “Search Terms”, and “07/25/2005” as the “Start Date” and “End Date”) (last visited Sept. 30, 2009).

<sup>142</sup> See Sweeting, *supra* note 89.



based entirely on an amateur modder's actions.<sup>143</sup> It would not be surprising if, as a result of such criticisms, other developers were now more wary of allowing modding of their games.

In short, modders are ill-equipped to be the driving force in establishing a consistent licensing regime which addresses the needs of their small-scale, user-created expression. Without the active participation of the game developers, such uses will languish as an untapped potential market, and the benefits of modders' creativity will be lost to the medium. All of these factors correspond with the conditions of market failure, and therefore, barring other factors such as a mod causing substantial harm to the original copyright holder,<sup>144</sup> they argue strongly for a finding of fair use.

B. *Fair Use if no Fair License?: Comparing Music's Compulsory Licensing Regime to Determine Whether a "Potential Licensing Market" for Mods Would Be a Fair One*

As part of the fair use analysis, courts have examined the damage to potential markets for derivative works of a copyrighted work.<sup>145</sup> Such marketplace damage has been called the central determinative factor of the fair use test.<sup>146</sup> "Beginning in the

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<sup>143</sup> In another mod-related situation, the Entertainment Software Ratings Board (ESRB) retroactively changed the rating of a game, *The Elder Scrolls IV: Oblivion*, based in part on the actions of a modder who enabled game characters to appear topless. Michael Zenke, *The Breasts that Broke the Game*, WWW.ESCAPISTMAGAZINE.COM, Jun. 12, 2007, [http://www.escapistmagazine.com/articles/view/issues/issue\\_101/561-The-Breasts-That-Broke-The-Game](http://www.escapistmagazine.com/articles/view/issues/issue_101/561-The-Breasts-That-Broke-The-Game).

<sup>144</sup> Trombley, *supra* note 116, at 680.

<sup>145</sup> See, e.g., *Twin Peaks v. Publications Int'l, Ltd.*, 996 F.2d 1366 (2d Cir. 1993) (the amount of the material taken was substantial and the publication adversely affected the potential market for authorized books about the program); *Rogers v. Koons*, 960 F.2d 301 (2d Cir. 1992) (holding that it did not matter whether a photographer had himself considered making sculptures based on his photographs, as a second artist, Koons, had done; what mattered was that a potential market for sculptures of the photograph existed); *Kelly v. Arriba-Soft Corp.*, 336 F.3d 811, 816 (9th Cir. 2003) (finding fair use where a search engine's practice of creating small reproductions ("thumbnails") of images and placing them on its own website did not undermine the potential market for the sale or licensing of those images).

<sup>146</sup> Galoob, *supra* note 25.

1900s, and most noticeably in *American Geophysical Union v. Texaco*,<sup>147</sup> courts began to count as market harm not just actual lost sales of the copyrighted work or plausible derivative works, but also the loss of money the supposed users would pay to license the right to the copyrighted work.”<sup>148</sup> The central problem with this analysis, which has been criticized as circular, is that such a potential licensing market exists only if the option for fair use does not.<sup>149</sup> And, more practically, when evaluating such hypothetical “potential licensing markets,”<sup>150</sup> there may be no real world example to determine whether such a market is illusory<sup>151</sup>—whether the market is artificially established to effectively block any claims of fair use.<sup>152</sup>

Rather than a “potential licensing market,” the courts may use the music industry’s existing compulsory licensing regime as a guide to determine whether there is any lost revenue or damage to the game developers’ marketplace. With such an analysis, game

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<sup>147</sup> See *American Geophysical Union v. Texaco Inc.*, 60 F.3d 913 (2d Cir. 1994); see also *Video-Cinema Films, Inc. v. Lloyd E. Rigler-Lawrence E. Deutsch Found.*, 2005 U.S. Dist. LEXIS 26302 (S.D. N.Y. 2005) (A nonprofit foundation presented a program called “Classic Arts Showcase” that used an eighty-five second clip of a five-minute performance by an opera singer from a two-hour movie, “Carnegie Hall.” Although the court considered the use to be educational, noncommercial, and to consist of an extremely small portion of the work, those factors were outweighed by the potential loss of licensing revenue. The copyright owners had previously licensed portions of the work for broadcast and the court determined that the foundation’s use affected the potential market).

<sup>148</sup> Lemley, *supra* note 12, at 189.

<sup>149</sup> *Id.*

<sup>150</sup> *Id.*

<sup>151</sup> Only imprecise standards have been advanced, such as the Second Circuit’s requirement that such a potential market be “traditional, reasonable, or likely to be developed.” *Id.*

<sup>152</sup> In one notable case, a copyright holder “succeeded in stopping what would otherwise have been fair use by *creating a market for licensing after suing to stop that use.*” *Id.* (emphasis added) (citing *Perfect 10 v. Google, Inc.*, 416 F. Supp. 2d 828 (C.D. Cal. 2006) (rejecting a fair use claim for a search engine’s use of thumbnail images because, after that use began, plaintiff began selling thumbnail images for viewing on cell phones). This outcome was opposed by *Perfect 10 v. Amazon, Inc.*, 508 F.3d 1146, 1164 (9th Cir. 2007) (Amazon and Google were named defendants, and fair use was found), but the confusing nature of a “potential licensing market” remains.

developers would be on notice that if they did not establish a fair licensing regime that actually met the needs of individual modders (as opposed to a licensing regime targeting and priced for the commercial industry),<sup>153</sup> courts could presume that unlicensed mods did not represent a lost source of revenue or negatively impact the marketplace for the developers' original games, the central element of a fair use claim.<sup>154</sup> In such a case, courts may presume that a mod created for that developer's game is fair use of that game's engine.

In essence, then, developers would be presented with a choice: (1) challenge a mod as a violation of fair use, but only after the fact; or (2) voluntarily create, *ex ante*, a licensing system which fairly addresses the current licensing market failures. However, to prevent a draconian and illusory licensing option for modders, the inclusion of a number of key analogous features from music's compulsory licensing regime<sup>155</sup> would be essential in a finding that such a "modders' license" met the creative needs of modders and the realities of the trade. What follows is a list of some such key features in establishing an equitable licensing regime that both meets the creative needs of modders and protects the interests of developers. The absence of such features in any purported licensing scheme would, again, effectively represent a market failure, and would strongly indicate that a modder's unlicensed use of game code was nonetheless a fair use:

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<sup>153</sup> See, e.g., Barret, *supra* note 16 (noting that the retail cost to a modder of licensing Valve's game engine to create a new game is \$200,000). By comparison, the statutory compulsory licensing rate that an individual musician must pay a composer for the right to create a cover version of his or her song is about three cents per song (per physical recording, i.e. per each CD or record that the musician produces). Wakolbinger, *supra* note 8, at 807.

<sup>154</sup> See *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*, 964 F.2d 965 (9th Cir. 1992). This scheme, however, may not necessarily be compelled to allow the licensing.

<sup>155</sup> See generally, Copyright Act of 1976, Pub. L. No. 94-553, § 115, 90 Stat. 2541 (codified as amended at 17 U.S.C. § 115 (2009)).

### 1. *Equitable Licensing Regime Features*

Recording musicians are given significant freedom to bring their unique creative interpretation to a musical composition.<sup>156</sup> That interpretive freedom was, in fact, the entire point of the compulsory mechanical license.<sup>157</sup> If game developers attempt to prohibit, by license, certain subjects, themes, or contents from being incorporated into a mod's creative expression, courts may presume that the license is unfair, that market failure still exists, and that fair use is strongly suggested. Although there may be some circumstances in which developers might legitimately object to a mod's content (such as obscenity, examined further below), a counterbalancing fair use analysis still applies.

Users of software are subjected to the software's EULA, an agreement with terms written by the game developers or publishers.<sup>158</sup> These EULAs are often extremely broad—some games and their developers have claimed all expression that is created by those using the game.<sup>159</sup> A EULA might also try to defeat a modders' license through "Non-Reverse Engineering" clauses, preventing modders from being able to examine a software engine to determine how to create a mod compatible with it.<sup>160</sup> Logically, any EULA that included such terms would be incompatible with a hypothetical fair licensing regime and would weigh heavily in favor of a finding of fair use.

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<sup>156</sup> Morrison, *supra* note 9, at 109.

<sup>157</sup> *Id.*

<sup>158</sup> See *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996) (holding such "shrink wrap" licenses enforceable). The EULA's terms are normally included in the retail box or viewable when the software is installed.

<sup>159</sup> See Edward Castronova, *The Right to Play*, 49 N.Y.L. SCH. L. REV. 185, 196 (2003). Professor Castronova criticizes the ownership rights in expression within the game environment that EULAs purport to grant to game developers:

If Jones, Smith, and Miller get together in the club, write a poem using the club's stationery, and then sell it on the street corner outside for \$10,000, on what grounds can the club [enjoin] that practice, and even claim ownership of the poem? . . . [T]hese are goals that EULAs try to accomplish.

*Id.*

<sup>160</sup> See generally Newitz, *supra* note 112.

A central benefit of compulsory mechanical licensing is that artists know before they begin recording what the process is for applying for a license, what kind of notice is required, what royalties will be involved, and what responsibilities they have as licensees. The current videogame engine licensing marketplace is complicated, is non-standardized, lacks a clear gatekeeper or established process for individual modders seeking a license, and lacks the ability for modders to predict what the market price of such licenses will be.<sup>161</sup> As a result, some developers actively encourage user mods, while others prohibit them. Similarly, some developers<sup>162</sup> have experimented with allowing modders to sell their work, while others explicitly disallow any modding for profit. Industry consensus must develop before it can be deemed to present a true potential licensing market. Factfinders evaluating modders' fair use in the interim should take this into account.

One of the key strengths of music's compulsory licensing regime is that the fees and notice requirements are only triggered once a cover recording has been produced. In addition, these fees are minimal and correlated to the impact that the cover song has on the marketplace. A musician making a cover recording is not required to give notice to the copyright holder until after the cover song is produced. This reduces the initial transaction cost delay. Likewise, the musical royalties are tied to how many copies of the cover song are produced.<sup>163</sup> As a result, a musician who is still in the process of building an audience is charged proportionately less than an artist who sold a million copies. A fair modders' license would also adopt this moderate "pay-royalties-as-you-go" structure, rather than the more prevalent game industry practice of demanding an up-front licensing fee of potentially several hundred thousand dollars.<sup>164</sup> Furthermore, a fair licensing scheme for mods

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<sup>161</sup> See, e.g., DevMaster.net, *supra* note 107 (demonstrating the need for an independent database to catalog and keep track of potential licensors and prices).

<sup>162</sup> See Barret, *supra* note 6.

<sup>163</sup> 17 U.S.C. § 115 (2009).

<sup>164</sup> See Barret, *supra* note 16. An example might be Valve's current mod-distribution arrangement, which requires a \$200,000 up front licensing fee if modders wish to sell their work themselves, rather than through partnership Valve's Steam service, <http://www.steampowered.com>. And even if the mod is

would base royalties on the number of copies of mods that were actually *sold and generated revenue*, not the number of digital copies that were simply *distributed*. This would take into account the frequent practice in the gaming culture of modders simply releasing their work for free, as either an open-source contribution to the gaming community, a way of building reputation and experience in hopes of being hired professionally as a game developer (a common occurrence), or simply an act of creative expression. As such, a fair modders' license would allow for a nominal licensing fee (say twenty dollars) for any work that the modder wished to distribute for no cost, but of which the modder still wished to retain ownership.

## 2. *Developers' Protections*

In addition to the necessary and "fair" licensing provisions discussed above, there are a number of licensing provisions that developers may wish to include for their own benefit, of which would not adversely affect the fairness of the modders' license. The following gives an example of what such provisions might address:

While a modders' license would be unfair if it attempted to prohibit modders from distributing their creations on their own or imposed such a great financial burden that self-distribution became untenable or illusory (as discussed above),<sup>165</sup> it may be acceptable for developers to include reasonable incentives which would encourage modders to distribute their mods through the developers' preferred market channels. For example, developers may require that the mod be released through digital distribution services like "Steam"<sup>166</sup> or as stand-alone retail products.<sup>167</sup> Such

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sold through Steam (which is only by the discretion of Valve), Valve demands a 50% royalty. This royalty rate might be considered excessive enough as to effectively represent a market failure, as a result of the "my way or the highway" bargaining environment.

<sup>165</sup> See Barret, *supra* note 16. An example of such a burden would be a \$200,000 up-front licensing fee. See *id.*

<sup>166</sup> Steam is a highly successful digital distribution service for commercial videogames (as well as amateur mods) that was created by an independent

arrangements have already arisen with some mods, in patchwork fashion, and could continue to benefit the marketplace as well as giving exceptional mods the benefit of the developer's stamp of approval.<sup>168</sup>

As discussed previously, mods are generally not designed as "stand-alone" software. The code adds to or otherwise alters the function of the original game's software code, which must simultaneously be present on the user's computer. Because of this relationship, a popular mod benefits the developer's market by spurring continuing sales of the underlying game required to play the mod.<sup>169</sup> This provides an economic benefit for the developer and is an argument for low cost modders' licenses. It would obviously be possible, however, to create a mod that did not require installation of the original game by simply incorporating/copying all the original games' software code into the mod, and distributing them both as a single computer file. A fair modders' license could, and should, make clear that such an action would be a violation of the license, and an act of copyright infringement.

Finally, game developers' concern about inappropriate use of their properties can be explicitly handled by such licensure. This would defuse most worries of a "Hot Coffee"-type mod project, where a developer's game characters are depicted objectionably against the developer's will. Precedent also exists for this kind of copyright-holder content control in the compulsory musical licensing regime. Section 115 of the Copyright Code provides that

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videogame developer, Valve Software. See *Steam: The Nexus of PC Gaming*, <http://store.steampowered.com/about/> (last visited May 8, 2008).

<sup>167</sup> An example, also released by Valve, is "Counter-Strike" ("CS") a Mod for the game "Half-Life", that replaced the original gameplay (a single-player, science-fiction battle against an alien invasion) with a multiplayer-only, realistic battle between terrorists and anti-terrorist military units. For a number of months, CS was the most popular online game played in the world, and Valve ended up hiring the Mod-makers and releasing stand-alone versions of the game for both the PC and the Xbox videogame console. See *Counter-Strike Source*, <http://www.counter-strike.net> (last visited May 8, 2008).

<sup>168</sup> See Barret, *supra* note 16 (noting that Gabe Newell of Valve will distribute a mod through Steam "if he likes it").

<sup>169</sup> *Id.*

a cover version of a song “shall not change the basic melody or fundamental character of the work.”<sup>170</sup> A modders’ license could still be presumed fair even if it incorporated a similar artistic-integrity provision.

However, there are limitations to such a provision. Modders may—for legitimate artistic and free-speech reasons—wish to use the developers’ characters and trademarks<sup>171</sup> in an expressive manner of which the licensing developers would not approve.<sup>172</sup> A fair modders’ license could not attempt to prevent the modder from releasing his or her work or assign an *ex ante* contractual cause of action or damages if a mod were deemed objectionable by the developer. The developer’s remedy should be limited to its right to challenge a user’s actions as a violation of the license.<sup>173</sup> In those situations, a court should apply the traditional fair use analyses of criticism, parody, and artistic appropriation.<sup>174</sup> An analogous situation arose in the infamous case of musical group 2 Live Crew’s cover version of Roy Orbison’s song “Pretty Woman.”<sup>175</sup> 2 Live Crew initially paid the mechanical license fee, but when that license was challenged by the original copyright holders due to

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<sup>170</sup> 17 U.S.C. § 115(a)(2) (2006) (“A compulsory license includes the privilege of making a musical arrangement of the work to the extent necessary to conform it to the style or manner of interpretation of the performance involved, but the arrangement shall not change the basic melody or fundamental character of the work . . .”).

<sup>171</sup> See, e.g., Andrea W. M. Louie, *Designing Avatars in Virtual Worlds: How Free Are We to Play Superman?*, J. INTERNET L., Nov. 2007, at 3) (discussing *Marvel v. NCSOFT*, in which a comic book publisher sued the developer of a videogame for contributory infringement for creating software that simply gave the *players* the tools to create avatars that could resemble trademarked characters. The case was ultimately resolved without judgment). See *Marvel Enters. v. NCSOFT Corp.*, 74 U.S.P.Q.2d 1303 (C.D. Cal. 2005).

<sup>172</sup> See, e.g., Reid, *supra* note 117 (describing Microsoft’s attempt to limit machinima); see also Chris Gaither, *Art Attack: Touring Exhibit Tests the Limits of Copyright Laws that Block Artists from Using Corporate Images*, BOSTON GLOBE, July 14, 2003, at C1 (discussing that Mattel, Inc. pursued actions against a photographer who depicted the famous doll mangled inside kitchen appliances in a series he called “Food Barbie”).

<sup>173</sup> 17 U.S.C. § 115(a)(2).

<sup>174</sup> See, e.g., *Mattel v. MCA Records*, 296 F.3d 894, 894–95 (9th Cir. 2002).

<sup>175</sup> *Acuff-Rose Music v. Campbell*, 972 F.2d 1429, 1432 (6th Cir. 1992).



lyric changes in the new version that the original copyright holder found objectionable, 2 Live Crew argued that the new song was in fact a substantially transformative work of parody and protected by fair use.<sup>176</sup> Modders who wished to use protected characters or trademarks in their mods—and who wished to do so in ways that the original property holder would find objectionable—would still have the same legal arguments available to them.<sup>177</sup>

#### IV. CONCLUSION

When a new art form arises, courts must determine the boundaries of the influence and the legitimate limits that can and should be placed on the art form's practice. At best, this is an awkward and slow process. Though society generally concludes that the new form of expression has both benefits and drawbacks, society generally and ultimately concludes that it benefits by the art form's existence. However, this acclimating process is still likely to include bouts of hysteria, greed, finger-pointing, attempted censorship, and general doomsaying.

Mods were a serendipitous branch of the software tree, their genesis enabled by cheap computers, and their popularity a result of the internet's ability to bring together like-minded creative people. As a form of expression, mods and videogames have made enormous strides in a short time.<sup>178</sup> As opposed to the

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<sup>176</sup> *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994). Note that this rationale leaves a strange "black hole" in the licensing regime: what protection does an artist have if his or her cover recording is deemed too different in "character" to merit protection under a compulsory license, but *not* transformative enough to receive protection as fair use?

<sup>177</sup> Note, however, that to avoid this exception swallowing the entire license, the developers cannot simply challenge the use of the game software engine to create such mods, because this engine will be invisible to the end user, and, therefore, not relevant to the transformed expression. The developer may object only to a mod's audiovisual depictions of characters and trademarks that appeared in the original game. If the mod substantially transforms these depictions (for instance, by creating new character models and environments), the license would be presumed valid.

<sup>178</sup> Consider that the first videogame was created barely fifty years ago, in 1958, and was played by two people turning the knobs of an oscilloscope, a piece of laboratory equipment, in order to make a glowing dot crisscross a five-

primal origins of music, which our tree-dwelling ancestors could make by pounding on the nearest coconuts, the first home computers enabling videogame modding are only a little more than thirty years old. It is not surprising that political and marketplace realities have not cooperated to generate the same legal protections for both forms of art. They may yet. In the meantime, even if the compulsory licensing system that has long been so fruitful for the recording industry and individual musicians cannot be applied directly to artists working in this new creative medium, it can at least serve as an acknowledgement that we may have initially underestimated the power and potential of this form of expression, and that we may need to take a second look. After all, modding is all about change.

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inch screen. Kristin Kalning, *The Anatomy of the First Video Game: "Tennis for Two" Created in 1958, was a Science Experiment*, <http://www.msnbc.msn.com/id/27328345/> (last visited, Oct. 11, 2009).

