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WALT DISNEY CO. v. POWELL: GOOD NEWS FOR THE CHARACTER INFRINGER

I. INTRODUCTION

If he could read the opinion in *Walt Disney Co. v. Powell*¹ (“*Disney*”), the late Walt Disney would roll over in his grave. In awarding statutory damages under the Copyright Act of 1976² (“1976 Act”), the District of Columbia Circuit held that a copyrighted cartoon is not a separate work if it contains a character in common with another cartoon that is also the subject of an infringement action.³ The court’s conclusion does a disservice to both the cartoonist and the art form because it fails to recognize that each cartoon is a separate and distinct artistic expression.⁴

The court apparently forgot that cartoon characters, unlike literary characters, possess graphic qualities that are conjured up in the mind of the creator and come to life when pen touches paper. The composition of each cartoon, whether ultimately still-life or animated, involves a myriad of variables of which the character’s identity is merely a part.⁵ The variables, including form, perspective, color, and movement, are formulated and combined by the artist creating the end product.⁶ The mere fact that two cartoons have characters in common does not automatically render the remaining discretionary artistic elements void.

In order to fix the statutory damages award in the *Disney* case, the District of Columbia Circuit had to determine how many works were infringed.⁷ In making this determination, the court incorrectly applied three tests by focusing on the common characters within each infringed copyright rather than looking at each copyright as a whole. This Note will analyze the application of the tests to the facts of the *Disney* case and conclude that the court erred in awarding statutory damages for only two works.

1. 897 F.2d 565 (D.C. Cir. 1990).

2. 17 U.S.C. §§ 101-810 (1988).

3. *Walt Disney Co. v. Powell*, 897 F.2d 565, 570 (D.C. Cir. 1990).

4. *Id.*

5. For a discussion of the creative processes involved in producing still-life and animated cartoons, see S. LEE & J. BUSCEMA, *HOW TO DRAW COMICS THE MARVEL WAY* (1978), and F. THOMAS & O. JOHNSTON, *DISNEY ANIMATION, THE ILLUSION OF LIFE* (1984).

6. *Id.*

7. *Walt Disney Co. v. Powell*, 897 F.2d 565, 569 (D.C. Cir. 1990).

II. STATEMENT OF THE CASE

A. *The Facts*

The Walt Disney Company ("Walt Disney") brought an action before the district court charging violations under the Copyright and Lanham Trademark Acts⁸ by multiple defendants.⁹ The defendants were charged with the unlicensed use of the popular cartoon characters Mickey Mouse and Minnie Mouse.¹⁰ All of the defendants settled, with the exception of J & L Distributors¹¹ ("J & L"). J & L admitted liability, but refused to acknowledge that Walt Disney was entitled to any relief.¹² Instead, J & L claimed that if Walt Disney had made its objections known, J & L would have ceased production of the infringing articles without the need for a lawsuit.¹³

J & L manufactured souvenir items that it sold from two ware-

8. 15 U.S.C. §§ 1051-72, 1091-96, 1111-21, 1123-27 (1988). "[T]he artistic rendition of the cartoon character Mickey Mouse, once affixed to a product such as a T-shirt, is properly protectable under the copyright laws. It is further protectable under the trademark laws since the rendition serves as an indicator of source, origin, or sponsorship of the licensor of the T-shirt, Walt Disney Productions." G. BATTERSBY & C. GRIMES, *THE LAW OF MERCHANDISE AND CHARACTER LICENSING, MERCHANDISING LAW AND PRACTICE*, § 9.01 at 9-5 (1990). The district court's only mention of the Lanham Act charges took the form of two sentences within its discussion of remedies. First, after finding that the plaintiff was entitled to a statutory damages award of \$90,000, the court stated that "[d]efendant did not reproduce the physical mark, so he escapes the treble damage provision of 15 U.S.C. § 1117(b)." *Walt Disney Co. v. Powell*, 698 F. Supp. 10, 13 (D.D.C. 1988). The district court's second reference to the Lanham Act immediately precedes its declaration that the plaintiff is entitled to attorney's fees in the amount of \$20,000. The court stated that "[i]n terms of the Lanham Act, this is an exceptional case of willful infringement." *Id.* Therefore, the court concluded, 15 U.S.C. § 1117 applied. *Id.* The Lanham Act charges were not discussed in the court of appeals' opinion. 15 U.S.C. § 1117 provides in relevant part:

- (a) When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office . . . shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled . . . to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgement for such sum as the court shall find just, according to the circumstances of the case. 15 U.S.C. § 1117(a) (1988).
- (b) In assessing damages under subsection (a) of this section, the court shall . . . enter judgement for three times such profits or damages . . . in the case of any violation . . . that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark . . . in connection with the sale, offering for sale, or distribution of goods or services. *Id.* § 1117(b) (1988).

9. *Walt Disney Co. v. Powell*, 698 F. Supp. 10, 11 (D.D.C. 1988).

10. *Id.*

11. *Id.*

12. *Id.* at 12.

13. *Id.* The district court found this argument "wholly unacceptable." *Walt Disney Co. v. Powell*, 698 F. Supp. 10, 12 (D.D.C. 1988).

houses to at least forty vendors in the Washington, D.C. area.¹⁴ These vendors serviced the heavy tourist population in the nation's capital.¹⁵ The defendant's business was profitable, grossing more than one million dollars a year.¹⁶ Among the souvenir items J & L sold were T-shirts and sweatshirts bearing designs and sayings including unlicensed reproductions of Mickey Mouse and Minnie Mouse in various poses.¹⁷

Walt Disney learned of J & L's unauthorized use of its cartoon characters from a licensed retail establishment that was concerned that the defendant's activities were hurting its own sales of authorized merchandise.¹⁸ Walt Disney subsequently launched a follow-up investigation on the complaint.¹⁹ The testimony and reports produced at trial by Walt Disney's investigator indicated that J & L was at all times aware that its reproduction of the Walt Disney characters was unlawful.²⁰ The investigation further revealed that much of J & L's business was conducted in cash.²¹ It was also discovered that J & L did not maintain standardized business records and had no record of sales or profits,²² which renders the task of fixing an award based upon actual damages and profits more difficult.²³

Walt Disney was harmed in several respects by J & L's actions.²⁴ First, had J & L been an authorized manufacturer, Walt Disney would have collected licensing fees for the use of its characters.²⁵ Secondly, one of the designs depicted the two characters clothed in Georgetown Uni-

14. *Id.* at 11.

15. *Id.*

16. *Id.*

17. *Id.*

18. *Walt Disney Co. v. Powell*, 698 F. Supp. 10, 11 (D.D.C. 1988).

19. *Id.*

20. *Id.* at 12.

21. *Id.*

22. *Id.*

23. Actual damages are commonly shown by a diminution in the value of the plaintiff's copyrighted material. Diminution in value can be shown by demonstrating the sales lost to the plaintiff as a result of the defendant's infringement. One way to show lost sales is to produce evidence of the defendant's sales of the infringed merchandise. But for the infringement, these sales would have belonged to the plaintiff. Comment, *Monetary Recovery Under the Copyright Act*, 65 OR. L. REV. 809, 810-12 (1986).

24. *Walt Disney Co. v. Powell*, 698 F. Supp. 10, 12 (D.D.C. 1988).

25. *Id.* Licensing is big business. Sales of licensed products and licensing fees topped \$62 billion dollars in 1989. Fitzgerald, *Ad Age Gallup Survey*, ADVERTISING AGE, Sept. 17, 1990, at 3. The characters from "Sesame Street" alone gross \$22 million per year in licensing fees. *Selling to Children*, 55 CONSUMER REPORTS, Aug. 1990, at 518. The "Charlie Brown" character in the popular comic strip "Peanuts" adorns 3,000 separate products, earning approximately \$30 million annually for Charles Schultz, the "Peanuts" creator. Newcomb, *The Magic Kingdom*, FORBES, Oct. 2, 1989, at 139. Licensing fees for "Rambo" products amount to an astounding \$300 million per year. *Id.*

versity shirts.²⁶ As the district court pointed out, this depiction gave the impression that Walt Disney itself was an infringer since the university's logos are also protected designs.²⁷ Thus, J & L's actions led to Walt Disney's loss of lucrative licensing fees and harm to Walt Disney's reputation.²⁸

J & L's illegal activity led to the copying of one of its infringed designs by a printer J & L had hired to produce the shirts.²⁹ Unbeknownst to J & L, the printer manufactured and distributed its own shirts outside the Washington, D.C. area, thereby increasing the harm to Walt Disney.³⁰ The geographical extent of the harm may have been even greater, since J & L did business with several printers outside Washington, D.C.³¹

B. The District Court's Holding

The district court awarded statutory damages because of Walt Disney's inability to quantify the actual damages it suffered and to ascertain J & L's profits.³² The court found that there were six infringements, and assessed damages at \$15,000 per infringement for a total of \$90,000.³³ The court also awarded attorney's fees of \$20,000 plus costs to be fixed by the court clerk, and permanently enjoined J & L from using any of Walt Disney's cartoon characters in the future.³⁴

C. The Court of Appeals' Holding

The District of Columbia Circuit vacated the district court's calculation of the statutory damages award.³⁵ The court found that although the Mickey Mouse and Minnie Mouse characters appeared in different poses in the six infringed copyrights, each of the six copyrights did not constitute a separate work for the purpose of determining the amount of the award.³⁶ Rather, the court held that there were only two works infringed, namely the Mickey and Minnie characters, and remanded the case to the district court for a redetermination of damages.³⁷

26. Walt Disney Co. v. Powell, 698 F. Supp. 10, 12 (D.D.C. 1988).

27. *Id.*

28. *Id.*

29. *Id.*

30. *Id.*

31. Walt Disney Co. v. Powell, 698 F. Supp. 10, 12 (D.D.C. 1988).

32. *Id.* at 10.

33. *Id.* at 13.

34. *Id.*

35. Walt Disney Co. v. Powell, 897 F.2d 565, 566-67 (D.C. Cir. 1990).

36. *Id.* at 570.

37. *Id.*

III. STATUTORY DAMAGES UNDER THE COPYRIGHT ACT

Copyright law has its origins in the Constitution of the United States. The Constitution granted Congress the power "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."³⁸ The exclusive rights of authors were secured by Congress through statutorily created copyright protection.³⁹

Protection afforded to the copyright proprietor "exist[s] automatically from the moment of the author's creation of a work whose subject matter is covered by the Copyright Act."⁴⁰ The 1976 Act provides protection for "original works of authorship fixed in any tangible medium of expression."⁴¹ Subject to certain limitations,⁴² the author reserves the rights to reproduce,⁴³ prepare derivative works,⁴⁴ distribute copies,⁴⁵ and publicly perform⁴⁶ or display⁴⁷ the work.

Copyright law provides a mechanism for copyright owners to enforce those rights against parties who seek to benefit from the author's work without authorization. The copyright owner can bring suit for infringement against a party who violates any of the owner's exclusive rights.⁴⁸ The 1976 Act provides several remedies against the infringer: injunction;⁴⁹ impoundment and destruction of the infringing articles;⁵⁰ actual damages plus the infringer's profits;⁵¹ statutory damages;⁵² and attorney's fees and costs.⁵³

A. The Need for the Statutory Damages Remedy

In a 1961 report, the Register of Copyrights listed four reasons the actual damages remedy alone is frequently inadequate to compensate the

38. U.S. CONST. art. I, § 8, cl. 8.

39. 17 U.S.C. §§ 102, 106 (1988).

40. W. PATRY, *LATMAN'S THE COPYRIGHT LAW* 1 (6th ed. 1986) [hereinafter *LATMAN'S*]. Copyright registration is not a requirement for protection. 17 U.S.C. § 408(a) (1988).

41. *Id.* § 102(a) (1988).

42. *Id.* §§ 107-118 (1988).

43. *Id.* § 106(1) (1988).

44. *Id.* § 106(2) (1988).

45. 17 U.S.C. § 106(3) (1988).

46. *Id.* § 106(4) (1988).

47. *Id.* § 106(5) (1988).

48. *Id.* § 501(b) (1988).

49. *Id.* § 502 (1988).

50. 17 U.S.C. § 503 (1988).

51. *Id.* § 504(b) (1988).

52. *Id.* § 504(c) (1988).

53. *Id.* § 505 (1988).

owner for harm caused by infringement and to deter the potential infringer.⁵⁴ First, proof of harm, as in the *Disney* case, can be difficult or impossible to quantify.⁵⁵ Secondly, in cases such as a public performance where the only harm is a lost license fee, the deterrent effect against the potential infringer is minimal.⁵⁶ Thirdly, actual damages suffered by the copyright owner may be less than the costs of the litigation.⁵⁷ Finally, profits of the infringer may be either nonexistent or impossible to ascertain.⁵⁸

B. Statutory Damages Under the Copyright Act of 1909

Under the Copyright Act of 1909⁵⁹ ("1909 Act"), the court had discretion to decide whether it would award actual damages or statutory damages when both profits and damages have actually been proven.⁶⁰ Where actual damages could not be proven, the court was required to award statutory damages.⁶¹ The 1909 Act provided for an award of statutory damages for each infringement.⁶²

With the exception of a few specific categories of infringement, which had their own minimum and maximum ranges,⁶³ the 1909 Act

54. HOUSE COMM. ON THE JUDICIARY, 87TH CONG., 1ST SESS., REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 102 (Comm. Print 1961) [hereinafter 1961 REPORT].

55. *Id.*

56. *Id.*

57. *Id.*

58. *Id.* at 103.

59. 17 U.S.C. §§ 1-216 (1976) (repealed 1978).

60. *Shapiro, Bernstein & Co. v. 4636 S. Vermont Ave., Inc.*, 367 F.2d 236, 240 (9th Cir. 1966).

61. *Id.* at 241.

62. Section 101(b) of the 1909 Act provided in relevant part:

If any person shall infringe the copyright in any work . . . such person shall be liable . . . [to] pay to the copyright proprietor such damages as the copyright proprietor may have suffered *due to the infringement*, as well as all the profits which the infringer shall have made *from such infringement*, and in proving profits the plaintiff shall be required to prove every element of cost which he claims, or *in lieu of actual damages and profits, such damages as to the court shall appear to be just.* 17 U.S.C. § 101(b) (1976) (repealed 1978) (emphasis added).

63. Section 101(b) of the 1909 Act provided in relevant part:

[I]n the case of a newspaper reproduction of a copyrighted photograph, such damages shall not exceed the sum of \$200 nor be less than the sum of \$50, and in the case of the infringement of an undramatized or nondramatic work by means of motion pictures, where the infringer shall show that he was not aware that he was infringing, and that such infringement could not have been reasonably foreseen, such damages shall not exceed the sum of \$100; and in the case of an infringement of a copyrighted dramatic or dramatico-musical work, by a maker of motion pictures and his agencies for distribution thereof to exhibitors, where such infringer shows that he was not aware that he was infringing a copyrighted work, and that such infringements could not reasonably have been foreseen, the entire sum of such damages recoverable by the

granted the court discretion to fix damages at a minimum of \$250 and a maximum of \$5,000 for each infringement.⁶⁴ The Supreme Court held that "[w]ithin these limitations the court's discretion and sense of justice are controlling, but it has no discretion when proceeding under this provision to go outside of them."⁶⁵ The 1909 Act also provided discretionary guidelines concerning the amount of damages to award when a particular type of work was infringed.⁶⁶ For example, the statute suggested that a court award ten dollars for each infringing copy of a painting, statue, or sculpture.⁶⁷

1. Difficulties in Applying the 1909 Act

A major difficulty facing the judiciary under the 1909 Act was determining exactly what constituted a single infringement and exactly what warranted a separate award.⁶⁸ Strictly interpreted, each unauthorized copy, derivative work, distribution, performance or display is a separate infringement.⁶⁹ The courts struggled with this application, especially in light of the technological advances since the 1909 Act was drafted.⁷⁰ Furthermore, the 1909 Act's suggested awards for particular types of infringement, which ranged from one dollar to fifty dollars per act or article, would have no meaning if the \$250 minimum were meant to be applied in all cases to each infringing act or article.⁷¹ Difficult determinations included an infringing play that was broadcast simultaneously over 162 TV stations⁷² and nineteen separate radio broadcasts of the same musical composition continued at monthly intervals.⁷³

It was not surprising that the courts encountered difficulties in applying the 1909 Act to modern technology. After all, the statute "was

copyright proprietor from such infringing motion picture shall not exceed the sum of \$5,000 nor be less than \$250. 17 U.S.C. § 101(b) (1976) (repealed 1978).

64. *Id.*

65. *L.A. Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 101, 106-07 (1919).

66. 17 U.S.C. § 101(b) (1976) (repealed 1978).

67. *Id.*

68. See *infra* notes 72-73 for examples of cases of difficult statutory damages determinations faced by the courts under the 1909 Act.

69. Note, *Statutory Damages Under the Copyright Act of 1976*, 15 LOY. U. CHI. L.J. 487, 493-94 (1984).

70. *Id.* at 494 n.59.

71. Note, *Statutory Damages for the Multiple Infringement of a Copyrighted Work: A Doctrine Whose Time Has Come, Again*, 6 CARDOZO ARTS & ENT. L.J. 463, 476 (1988).

72. *Davis v. E.I. DuPont de Nemours & Co.*, 249 F. Supp. 329, 349 (S.D.N.Y. 1966). The court found that the 162-station telecast was a single infringement, and awarded \$25,000 in statutory damages. *Id.*

73. *Baccaro v. Pisa*, 252 F. Supp. 900, 904 (S.D.N.Y. 1966). The court found that each broadcast constituted a separate infringement and assessed \$4,750 in statutory damages by multiplying the 19 broadcasts by the \$250 statutory minimum award. *Id.*

enacted long before any Congressman ever heard of a nationwide telecast."⁷⁴ Decisions were often rendered based upon the "time" and "heterogeneity" tests.⁷⁵ Application of the time test established that infringements close in time were a single continuing infringement, while those further apart in time were distinct and separate.⁷⁶ The heterogeneity test looked at the "differences between the advertisers, financial arrangements, locales, audiences, and other significant variables" to determine whether a series of infringements constituted a single or multiple infringement.⁷⁷

C. Statutory Damages Under the Copyright Act of 1976

Section 504 of the 1976 Act, unlike its predecessor, specifies that a *copyright owner* can choose between actual damages and profits or statutory damages.⁷⁸ The owner can elect to receive statutory damages at any time before the court renders its final judgement.⁷⁹ The 1976 Act provides for an award of statutory damages "for all infringements involved in the action, with respect to any one work."⁸⁰ Application of this section will in some cases require a precise definition of the word "work." The 1976 Act does not define "work," and the limited case law which addresses the issue involves facts dissimilar from those in *Disney*.⁸¹

74. *Davis v. E.I. DuPont de Nemours & Co.*, 249 F. Supp. 329, 340 (S.D.N.Y. 1966).

75. These tests were used to determine whether multiple reproductions, performances, broadcasts, or exhibitions of a work constituted one or multiple infringements for the purpose of fixing a statutory damages award. *Iowa State University Research Fdn., Inc. v. American Broadcasting Co., Inc.*, 475 F. Supp. 78, 82 (S.D.N.Y. 1979). See also Note, *supra* note 69, at 496-97.

76. *Iowa State University Research Fdn., Inc. v. American Broadcasting Co., Inc.*, 475 F. Supp. 78, 82 (S.D.N.Y. 1979).

77. *Id.*

78. 17 U.S.C. § 504(c)(1) (1988). This section provides:

Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgement is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is individually liable, or for which any two or more infringers are liable jointly or severally, in a sum of not less than \$500 or more than \$20,000 as the court considers just. For the purposes of this subsection, all the parts of a compilation or derivative work constitute one work.

79. *Id.*

80. *Id.*

81. Two district court cases that did discuss the statutory damages award in terms of the number of works infringed involve facts dissimilar to those in *Disney*. In *Kepner-Tregoe, Inc. v. Carabio*, 203 U.S.P.Q. 124 (E.D. Mich. 1979), the defendants infringed two sets of training seminar materials and a third set of materials designed to assist the seminar instructors. *Id.* at 127-28. Although the subject matter of the two seminars was the same, the seminars were destined for two different audiences. *Id.* at 128. The court found that because the materials designed for the two seminars had different objectives and were independently viable, they were two separate works. *Id.* at 138. Since the instructors' materials would have no purpose

1. Flexibility in Setting the Award

One of the legislature's aims in revising the damages section for the 1976 Act was to provide the courts with leeway in setting the amount of the award according to the particular circumstances of the case.⁸² The 1976 Act omitted the 1909 Act's "suggested awards," which were based on the type of article infringed.⁸³ Instead, the 1976 Act gave the trial court discretion in fixing the award within expanded statutory ranges.⁸⁴ In exercising that discretion, courts have considered various factors including the attitude of the defendant,⁸⁵ the defendant's degree of innocence,⁸⁶ past incidents of infringement,⁸⁷ and unpaid license fees.⁸⁸

Another aim of Section 504 was to provide clearer guidelines to the judiciary in determining the size of the award.⁸⁹ Today, the amount of the statutory award can range from \$500 to \$20,000 for all infringements of any one work.⁹⁰ When the copyright owner is able to prove that the

without the seminar materials, the court concluded that they did not qualify as a separate work. *Id.*

The defendants in *Cormack v. Sunshine Food Stores*, 675 F. Supp. 374 (E.D. Mich. 1987), infringed two questionnaires that the plaintiffs had designed to test the emotional status and trustworthiness, respectively, of prospective employees. The court applied the viability and *Stigwood* tests and held that the two questionnaires, which evaluated different characteristics and had no questions in common, were separate works.

82. H.R. REP. NO. 1476, 94th Cong., 2d Sess. 161 (1976), reprinted in 1976 U.S. CODE CONG. & ADMIN. NEWS 5777 [hereinafter *House Report*].

83. Compare 17 U.S.C. § 101(b) (1976) (repealed 1978) with 17 U.S.C. 504(c) (1988).

84. *House Report*, *supra* note 82, at 5778.

85. The court in *Broadcast Music, Inc. v. Boston Trading Company, Inc.*, 230 U.S.P.Q. 137 (D.C.N.H. 1985), considered the "defendants' cavalier attitude" in establishing the damages award at a figure greater than the statutory minimum. *Id.* at 139. The court fixed the award at \$500 for each of nine infringed musical compositions. *Id.*

86. The defendant restaurant owner in *Broadcast Music, Inc. v. Coco's Development Corp.*, 212 U.S.P.Q. 714 (N.D.N.Y. 1981), publicly performed five musical compositions without authorization. *Id.* at 714. The court found that the defendant was unaware that his actions constituted copyright infringement. *Id.* at 715. Therefore, the court fixed the award at \$150 for each of the five infringed songs. *Id.*

87. In *United Features Syndicate, Inc. v. Spree, Inc.*, 600 F. Supp. 1242 (E.D. Mich. 1984), the defendant had been sued four times previously for copyright infringement. *Id.* at 1247. This time the defendant had reproduced the cartoon characters "Garfield" and "Odie" on T-shirts. *Id.* at 1243. Taking the past infringements into consideration, the court awarded \$50,000 for each infringed character, for a total statutory damages award of \$100,000. *Id.* at 1248.

88. The defendant in *Morley Music Co. v. Dick Stacey's Plaza Motel, Inc.*, 725 F.2d 1 (1st Cir. 1983), publicly performed four ASCAP copyrighted musical compositions over a five-year period without paying ASCAP license fees. *Id.* at 1-2. The fees for the period would have totalled \$4,500. *Id.* at 2. The court took this figure into consideration when fixing the statutory damages award. *Id.* at 3-4. The court awarded \$1,200 for each of the four songs for a total of \$4,800, plus costs and attorney's fees. *Id.* at 4.

89. *House Report*, *supra* note 82, at 5777.

90. 17 U.S.C. § 504(c)(1) (1988). The 1988 Amendment, which applies to all causes of

infringement was willful, the maximum award is increased to \$100,000.⁹¹ If the infringer can prove it was unaware that its actions constituted infringement, the minimum award is reduced to \$200.⁹² The logic in reducing the minimum award in such cases is sound because the statute's goal of deterring infringement is not implicated when an innocent infringer is involved.⁹³

2. The "One Award Per Work" Requirement

Section 504 directs a court to assess only one award when a single work is infringed by a single infringer "no matter how many acts of infringement are involved in the action and regardless of whether the acts were separate, isolated, or occurred in a related series."⁹⁴ Therefore, a court will assess only one award even if the infringer produces many infringing copies, conducts numerous public performances, displays the work at various sites, or infringes more than one exclusive right, as long as only one work is involved.⁹⁵

For the purposes of Section 504, all parts of a compilation and all derivative works are considered a single work.⁹⁶ Thus, a plaintiff will

action arising on or after March 1, 1989, increased the minimum and maximum limits from \$250 to \$500 and \$10,000 to \$20,000 respectively. The former minimum and maximum levels continue to apply to causes of action arising under the 1976 Act prior to March 1, 1989 (January 1, 1978 - April 30, 1989).

91. *Id.* § 504(c)(2) (1988). The 1988 Amendment increased the maximum award in cases of willful infringement from \$50,000 to \$100,000. The area that falls between "innocent" and "willful" infringement has been described as "a degree of fault based upon a negligent failure to ascertain whether the product infringes a copyright, or a reckless disregard for whether there is infringement." *M.S.R. Imports v. Greenspan*, 220 U.S.P.Q. 361, 374 (E.D. Pa. 1983). "Willful" is defined by the late copyright scholar Melville B. Nimmer as "with knowledge that the defendant's conduct constitutes copyright infringement." 3 M. & D. NIMMER, NIMMER ON COPYRIGHT § 14-04[B], at 14-40.3 and 40.4 (1990).

92. 17 U.S.C. § 504(c)(2) (1988). The 1988 Amendment increased the minimum award for nonawareness cases from \$100 to \$200. *Id.*

93. Comment, *supra* note 69, at 506.

94. *House Report*, *supra* note 82, at 5778.

95. *Id.* Thus, only one work is infringed when an infringer produces one million T-shirts depicting Mickey Mouse in the same pose.

96. 17 U.S.C. § 504(c)(1) (1988). The statutory definitions of "compilation," "collective work" and "derivative work" are as follows: A 'compilation' is a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term 'compilation' includes collective works. *Id.* § 101 (1988) A 'collective work' is a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole. *Id.* 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, anno-

receive only one award when both the original and the derivative works are infringed.⁹⁷ The same result will occur in the case of an infringed compilation protected by copyrights in its entirety and its components.⁹⁸

The establishment of one statutory award for all infringements of any one work eliminated the need for a court to calculate the number of infringements involved.⁹⁹ However, another problem surfaced in its place. Although a court under the 1976 Act need not concern itself with the precise number of infringements in order to fix the statutory award, it must instead determine the number of *works* infringed.¹⁰⁰ To make the task even more difficult, the courts have found that the number of works infringed does not always correspond to the number of copyrights infringed, even where derivative works and compilations are not involved.¹⁰¹ Therefore, lacking a statutory definition for "work," a court in a difficult case will have to formulate a test to calculate the number of works in the cause of action.

IV. REASONING OF THE COURTS

A. *The District Court*

Section 504 of the 1976 Act specifies that one statutory damages award is to be made for "all infringements involved in the action, with respect to any one work."¹⁰² Nowhere in its opinion did the district court use the word *work* in the context of damages.¹⁰³ Instead, the court referred to six *infringements* that were proven, and stated that "[i]t is unnecessary to consider the precise application of the copyright to each . . ."¹⁰⁴ The court concluded its discussion of damages by stating that "[t]hese violations are not overlapping," and thus awarded \$15,000 for each of the six "violation[s]."¹⁰⁵

tations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a 'derivative work.' *Id.* § 101.

97. *Id.* § 504(c)(1) (1988).

98. *Id.*

99. Comment, *supra* note 23, at 827.

100. Since Section 504 of the 1976 Act mandates one award for all infringements of any one work, the necessary starting point is a determination of the number of works infringed.

101. See *supra* note 81 for a discussion of two cases where courts held that the number of works did not correspond to the number of infringed copyrights. Neither case involved derivative works or compilations.

102. 17 U.S.C. § 504(c)(1) (1988).

103. *Walt Disney Co. v. Powell*, 698 F. Supp. 10 (D.D.C. 1988).

104. *Id.* at 13.

105. *Id.*

B. The Court of Appeals

The *Disney* court laid out tests from three separate sources, apparently to apply them to the facts of this case in order to determine the number of works infringed.¹⁰⁶ The tests required three separate but closely-related inquiries.¹⁰⁷ The first inquiry was whether each of the *Disney* copyrights could "live its own copyright life."¹⁰⁸ Next, the court asked whether the copyrights have "separate economic value."¹⁰⁹ The final inquiry was whether the copyrights are "viable" when separated from each other.¹¹⁰

1. The *Stigwood* Own Copyright Life Test

First, the court cited the Second Circuit case of *Robert Stigwood Group Ltd. v. O'Reilly*¹¹¹ ("*Stigwood*"), which was decided under the 1909 Act. The *Stigwood* court therefore properly calculated the statutory damages awards based upon the number of infringements, rather than the number of works infringed.¹¹² Although *Stigwood* does not provide a definition of *work* per se, the test that it developed to refine its infringement calculation is nevertheless useful in determining the number of works under the 1976 Act. The *Stigwood* court held that where a single performance infringed "overlapping copyrights on substantial parts of the entire work" that could not singularly "live their own copyright life," the performance shall be considered a single infringement for the purpose of determining the amount of statutory damages.¹¹³

Stigwood consolidated on appeal two lower court cases charging copyright infringement of the rock operas "Jesus Christ Superstar" ("Superstar") and "Tommy."¹¹⁴ *Stigwood Group and Track Music*, owners of multiple copyrights in "Superstar" and "Tommy" respectively, brought suit for infringement under the 1909 Act.¹¹⁵ The defend-

106. *Walt Disney Co. v. Powell*, 897 F.2d 565, 569 (D.C. Cir. 1990).

107. *Id.*

108. *See infra* notes 111-29 and accompanying text.

109. *See infra* notes 130-56 and accompanying text.

110. *See infra* notes 157-60 and accompanying text.

111. 530 F.2d 1096 (2d Cir. 1976).

112. *Id.* at 1104-05.

113. *Id.*

114. *Id.* at 1097. The joint "Superstar" plaintiffs were The Robert Stigwood Group Limited, Leeds Music Limited, and Leeds Music Corporation [hereinafter collectively referred to as "Stigwood Group"]. *Id.* The joint "Tommy" plaintiffs were Track Music, Ltd., Fabulous Music Ltd., and New Ikon, Ltd. [hereinafter collectively referred to as "Track Music"]. *Robert Stigwood Group Ltd. v. O'Reilly*, 530 F.2d 1096, 1098 (2d Cir. 1976).

115. *Stigwood* was decided in 1976. The effective date of the 1976 Act was January 1, 1978. 17 U.S.C. § 301(a) (1988).

ants, identical in both cases, were Roman Catholic priests who publicly performed the two operas on numerous occasions without authorization.¹¹⁶

In the case of the "Superstar" opera, which was protected by six separate copyrights, the lower court found that thirty-eight infringing performances of the work had occurred.¹¹⁷ The court awarded \$22,800 in statutory damages without explaining how it arrived at this amount.¹¹⁸ Stigwood Group appealed the decision, contending that the trial court should have multiplied the number of copyrights in the opera by the number of performances, and then multiplied that figure by the statutory minimum award to arrive at the total award.¹¹⁹ Stigwood Group also asserted that the court underrepresented the number of infringing performances.¹²⁰

On appeal, the *Stigwood* court agreed with Stigwood Group that the lower court should have adhered to the statutory minimum, found that the priests had conducted forty-eight infringing performances, and examined the relationship between the six copyrights before calculating the damage award.¹²¹ The *Stigwood* court noted that the copyrights in "Superstar" consisted of three song copyrights and three copyrights encompassing the entire work.¹²² The court viewed the latter three, two copyrights in the libretto¹²³ and one in the vocal score, as "superfluous protective layers" that merited only one statutory damage award.¹²⁴ The *Stigwood* court found that the three song copyrights, however, could "live their own copyright life" and as such warranted their own awards.¹²⁵ Therefore, the proper damage calculation consisted of multiplying four copyrights by forty-eight infringing performances, and multiplying that figure by the then existing \$250 statutory minimum, to arrive at a total award of \$48,000.¹²⁶

The "Tommy" case was more straight forward since it did not in-

116. Robert Stigwood Group Ltd. v. O'Reilly, 530 F.2d 1096, 1097 (2d Cir. 1976).

117. *Id.* at 1098.

118. *Id.* at 1099. The *Stigwood* court surmised that the lower court had arrived at the figure "by multiplying 38 performances by six copyrights infringed . . . for a total of 228 infringements, and awarding \$100 for each violation." *Id.* at 1099 n.8.

119. *Id.* at 1099.

120. Robert Stigwood Group Ltd. v. O'Reilly, 530 F.2d 1096, 1099 (2d Cir. 1976).

121. *Id.* at 1103-04.

122. *Id.* at 1104.

123. "Libretto" is defined as "the text of a work (as in an opera) for the musical theater." WEBSTER'S NINTH NEW COLLEGIATE DICTIONARY 668 (9th ed. 1984).

124. Robert Stigwood Group, Ltd. v. O'Reilly, 530 F.2d 1096, 1104 (2d Cir. 1976).

125. *Id.* at 1105.

126. *Id.*

volve overlapping copyrights.¹²⁷ Track Music contended that its twenty-six song copyrights and one copyright on the work as a whole were infringed during two unauthorized public performances.¹²⁸ Pursuant to its "Superstar" reasoning, the *Stigwood* court held that the appropriate damage award was determined by multiplying twenty-seven copyrights by two performances, which was then multiplied by the statutory minimum resulting in a judgement of \$13,500.¹²⁹

2. The *Peri* Separate Economic Value Test

The second source the *Disney* court looked at in its quest to define *work* was the separate economic value test in *RSO Records, Inc. v. Peri*¹³⁰ ("*Peri*"). Like the *Stigwood* test, the test in *Peri* looks at the relationship between the infringed copyrights.¹³¹ The *Peri* test established that the subject of a copyright is not a separate work if it has no economic value when separated from another copyright in the suit.¹³²

The joint plaintiffs in *Peri* were producers, manufacturers, and distributors of sound recordings.¹³³ The suit was prompted by a Federal Bureau of Investigation probe into the counterfeit recording business.¹³⁴ The multiple defendants¹³⁵ manufactured records, tapes, and color separations¹³⁶ used in the production of record and tape packaging materials.¹³⁷

One issue in *Peri* was whether the production of color separations by Dynasty Graphics, Incorporated ("*Dynasty*") constituted an act of infringement since "color separations are not exact reproductions of copyrighted graphics."¹³⁸ The court reasoned that because the color

127. *Id.*

128. *Id.* at 1098.

129. *Robert Stigwood Group, Ltd. v. O'Reilly*, 530 F.2d 1096, 1105 (2d Cir. 1976).

130. 596 F. Supp. 849 (S.D.N.Y. 1984).

131. *Id.* at 862 n.16.

132. *Id.*

133. *Id.* at 851. The joint *Peri* plaintiffs were RSO Records, Inc., MCA Records, Inc., Warner Brothers Records, Inc., RCA Corporation, CBS Inc., Casablanca Records & Filmworks, Inc., and Elektra/Asylum/Nonesuch Records, a division of Warner Communications, Inc. [hereinafter collectively referred to as "RSO Records"]. *Id.* at 849.

134. *RSO Records, Inc. v. Peri*, 596 F. Supp. 849, 854 (S.D.N.Y. 1984).

135. The corporate defendants in *Peri* were Creative Disc, Inc. and Dynasty Graphics, Inc. Defendants Joseph Peri and Carl Fueerstein were in charge of operations at Creative and Dynasty. Defendant Salvatore Peri was employed at a tape duplicating facility. *Id.* at 851-52. Defendants will hereinafter be collectively referred to as "Creative."

136. A color separation is created by photographing original artwork and producing separate photographic reproductions in each of four colors. The packaging manufacturer then uses the color separations to produce the packaging graphics. *Id.* at 853.

137. *Id.*

138. *Id.*

separation process is a necessary step in producing counterfeit graphics and has no value otherwise, the producer of the color separations is held liable as a contributory infringer with respect to the reproduction of the original graphics.¹³⁹ Furthermore, the court held that even if the color separations were not intended for Dynasty's own use, Dynasty was still liable for contributory infringement as long as it was aware of the ultimate use of its creative endeavors.¹⁴⁰ Thus, the court found that Dynasty was contributorily liable for infringing the packaging graphics in the sound recordings.¹⁴¹

RSO Records' case included testimony by undercover Federal Bureau of Investigation agents and other witnesses and the admission into evidence of Creative's business records seized by the agency.¹⁴² The business records revealed that Creative produced as many as 1.8 million records during a particular fifteen-month period and 3,000 to 4,000 tapes each day.¹⁴³ The Bureau also found two of the record companies' phonograph records, presumably manufactured by Creative, and direct evidence that one tape was copied.¹⁴⁴

The court found for RSO Records on the issue of liability¹⁴⁵ and turned to the issue of damages. RSO Records did not express a preference for either actual damages or statutory damages, but instead asked the court to grant whichever would result in the larger award.¹⁴⁶ The court assessed the actual damages at \$42,239.85.¹⁴⁷

In calculating the statutory award, the court had to determine if packaging graphics and the sound recordings they encased were separate works.¹⁴⁸ As the court noted, the volume of sales to the public of counterfeit recordings is directly dependent upon packaging that appears to be genuine.¹⁴⁹ The court concluded that "[i]nasmuch as graphics simply complement the recording and have no *separate economic value*, whatever their artistic value, they must be considered part of the musical 'work'"¹⁵⁰ Thus, the *Peri* court established its test to determine

139. RSO Records, Inc. v. Peri, 596 F. Supp. 849, 853 (S.D.N.Y. 1984).

140. *Id.* at 858.

141. *Id.*

142. *Id.* at 855-56.

143. *Id.* at 856.

144. RSO Records, Inc. v. Peri, 596 F. Supp. 849, 856 (S.D.N.Y. 1984).

145. *Id.* at 858-60.

146. *Id.* at 860.

147. *Id.* at 861.

148. *Id.* at 862 n.16.

149. RSO Records, Inc. v. Peri, 596 F. Supp. 849, 853 (S.D.N.Y. 1984).

150. *Id.* at 862 n.16 (emphasis added).

what constitutes a work.¹⁵¹

The statutory damages were set at \$50,000 for each of two phonograph records, one tape, and twenty-six color separations.¹⁵² As part of a musical work, each of the twenty-six color separations merited its own award since the infringement of the particular recording it belonged to was not part of the cause of action.¹⁵³ Had Creative also infringed the twenty-six recordings, the statutory award would not have been increased.¹⁵⁴ The court said that the twenty-seventh color separation did not warrant a separate award since the packaging it was destined for was that of the aforementioned infringed tape, which already received the maximum award.¹⁵⁵ Thus calculated, the court fixed the statutory damages award at \$1,450,000, more than thirty-four times greater than the actual damages figure.¹⁵⁶

3. The Nimmer Viability Test

The third source the *Disney* court looked at to determine a definition for "work" was *Nimmer on Copyright*¹⁵⁷ ("Nimmer"). The relevant passage in the treatise begins with a discussion of the *Stigwood* overlapping copyrights/own copyright life doctrine, with which Nimmer neither agrees nor disagrees.¹⁵⁸ Nimmer concludes the discussion with what is essentially an interpretation of *Stigwood*.¹⁵⁹ According to Nimmer, the *Stigwood* doctrine means that "the subject of a separate copyright would have to be in itself musically, dramatically, or otherwise *viable* even if not presented in conjunction with the other work in which it is incorporated" in order to qualify as a separate work.¹⁶⁰

4. The Court of Appeals Applies the Tests

The court of appeals' conclusory analysis was comprised of three sentences.¹⁶¹ Instead of applying the tests to each copyrighted cartoon and drawing as a whole, the court applied the tests to the characters

151. *Id.*

152. *Id.* at 863.

153. Both the graphics and the recording are considered the same musical work, and plaintiffs "may not recover multiple statutory awards where they have copyrighted both graphics for a recording and the recording itself." *Id.* at 862 n.16.

154. *RSO Records, Inc. v. Peri*, 596 F. Supp. 849, 862 n.16 (S.D.N.Y. 1984).

155. *Id.* at 863.

156. *Id.*

157. M. NIMMER & D. NIMMER, *NIMMER ON COPYRIGHT* (1990) [hereinafter NIMMER].

158. NIMMER, *supra* note 157, § 14.04[E] at 14-40.13.

159. *Id.* at 14-40.13 and 14-40.14.

160. *Id.* (emphasis added).

161. *Walt Disney Co. v. Powell*, 897 F.2d 565, 570 (D.C. Cir. 1990).

within each cartoon and drawing.¹⁶² This approach, which ignores the remaining artistic elements protected by each copyright, took the following form:

While Mickey and Minnie are certainly distinct, viable works with separate economic value and copyright lives of their own, we cannot say the same is true for all six of the Disney copyrights of Mickey and Minnie in various poses which the district court found to be infringed in this case. Mickey is still Mickey whether he is smiling or frowning, running or walking, waving his left hand or his right. Thus, we find that [defendant's] mouse-face shirts infringed only two of Disney's works.¹⁶³

In a footnote following its brief analysis, the court observed that two of the copyrights Walt Disney claimed were infringed depict Mickey and Minnie in scenes from the animated cartoon "Steamboat Willie."¹⁶⁴ The court reasoned that even though "Steamboat Willie" as a whole is a distinct and economically viable work,¹⁶⁵ reproduction of a single scene infringes only the characters, in this case Mickey and Minnie.¹⁶⁶

V. ANALYSIS

A. Graphic Character Protection

The issue of copyright protection for graphic characters came before the Ninth Circuit in *Walt Disney Productions v. Air Pirates*¹⁶⁷ ("Air Pirates"). The defendants in *Air Pirates* published two magazines without authorization containing the likenesses of at least twenty-one Disney characters.¹⁶⁸ The characters were portrayed as "active members of a free-thinking, promiscuous, drug-ingesting counterculture."¹⁶⁹ The court established that a comic book character, unlike a literary character,

162. *Id.*

163. *Id.*

164. *Id.* at 570 n.10. "Everyone knows that it was 'Steamboat Willie' and Mickey Mouse that put Walt Disney on the map." L. MALTIN, *THE DISNEY FILMS* 291 (1984). "Steamboat Willie," released in 1928, was Disney's third Mickey Mouse cartoon. Inspired by the "Jazz Singer," which led to the end of silent motion pictures two years later, "Steamboat Willie" was the first cartoon with a synchronized soundtrack and featured Walt Disney himself as the voice of Mickey Mouse. *Id.* at 4. "Steamboat Willie's" success prompted Disney to remake with sound two silent Mickey Mouse cartoons it had previously completed, "Plane Crazy" and "Gallopin' Gaucho." *Id.* at 308.

165. Thus, "Steamboat Willie" would pass the *Peri* test.

166. *Walt Disney Co. v. Powell*, 897 F.2d 565, 570 n.10 (D.C. Cir. 1990).

167. 581 F.2d 751 (9th Cir. 1978).

168. *Id.* at 753 n.5.

169. *Id.* at 753 (quoting Comment, *Parody, Copyrights and the First Amendment*, 10 U.S.F. L. REV. 564, 582 (1976)).

is copyrightable because it has "physical as well as conceptual qualities."¹⁷⁰ The addition of physical characteristics renders a character "more likely to contain some unique elements of expression."¹⁷¹ As a result, the *Air Pirates* court asserted that "it is plain that copying a comic book character's graphic image constitutes copying to an extent sufficient to justify a finding of infringement."¹⁷²

Following the *Air Pirates* decision, the prevailing view was that graphic characters are entitled to copyright protection per se.¹⁷³ A character itself, however, is not the subject of a separate copyright.¹⁷⁴ Instead, the character receives protection as part of the work in which it is embodied.¹⁷⁵

B. *The Six Copyrights*

Disney claimed that six individual copyrights were infringed by J & L's actions.¹⁷⁶ Neither the district court nor the court of appeals provides a clear description of each copyright or the form their infringement took on J & L's shirts. From the district court's opinion we know that one of the garments featured Mickey and Minnie clothed in Georgetown University shirts,¹⁷⁷ and another portrayed the two mice as "black skinned,"¹⁷⁸ apparently neither of which was a design original to Disney. The court of appeals states that two of the infringed copyrights "portrayed Mickey and Minnie in poses used in the movie 'Steamboat Willie.'" ¹⁷⁹

Based upon the limited information the courts have provided and the inferences which can be drawn therefrom, certain assumptions must be made for this analysis. The author will assume that the depictions of Mickey and Minnie in the Georgetown University shirts and as black skinned were not original to Disney. In those two scenes alone, all creative elements other than the characters themselves were contributed by J & L.

170. *Id.* at 755.

171. *Id.*

172. *Walt Disney Productions v. Air Pirates*, 581 F.2d 751, 756 (9th Cir. 1978).

173. NIMMER, *supra* note 157, § 2.12 at 2-171.

174. "The copyright law does not provide for the copyright registration of characters as such. However, original works of authorship describing, depicting, or embodying a character are registrable if otherwise in order." *Latman's*, *supra* note 40, at 47 n.132 quoting *Compendium II of Copyright Office Practices* § 202.02(1).

175. *Id.*

176. *Walt Disney Co. v. Powell*, 897 F.2d 565, 567 (D.C. Cir. 1990).

177. *Walt Disney Co. v. Powell*, 698 F. Supp. 10, 12 (D.D.C. 1988).

178. *Id.*

179. *Walt Disney Co. v. Powell*, 897 F.2d 565, 570 n.10 (D.C. Cir. 1990).

The author will also assume that the two copyrighted "Steamboat Willie" scenes were reproduced in a substantially similar¹⁸⁰ fashion onto two separate T-shirts and that at least one other infringing garment bore a substantially similar reproduction of Mickey as he appeared in a separate copyrighted still-life drawing. Both the "Steamboat Willie" scenes, originally part of the animated cartoon, and the one or more still-life drawings that appeared on J & L's shirts depicted Mickey and Minnie in poses and settings created by Walt Disney. The assumption that some of the shirts were imprinted with exact reproductions is supported by language in the district court opinion, which asserts that the "copyrights in Mickey Mouse and Minnie Mouse will be enforced as to *exact* copies and variations."¹⁸¹

C. *The District Court Ignored the Call of the Statute*

Given the clear directive of Section 504, the district court's failure to address the issue of statutory damages in terms of the number of *works* infringed is more than an oversight.¹⁸² Application of this section requires a court to first determine the number of works involved in the suit before calculating the statutory award.¹⁸³ That figure is arrived at without regard to the number of times each work is infringed.¹⁸⁴ Since the district court awarded \$15,000 for each of six infringements, and did not discuss the number of works it found to be infringed,¹⁸⁵ it is unclear whether the court properly applied the law.

D. *The Court of Appeals Applied the Tests Incorrectly*

The court of appeals recognized the mistake of the district court in calculating the statutory damages award based upon the number of infringements.¹⁸⁶ After starting off on the right track, the reasoning of the court of appeals goes astray. After incorrectly applying the tests to determine the number of works infringed, the court erroneously concludes that only two works were infringed.

180. In a copyright infringement suit, a showing of substantial similarity is a necessary element to prove copying, which in turn is necessary to prove infringement.

181. *Walt Disney Co. v. Powell*, 698 F. Supp. 10, 12 (D.D.C. 1988) (emphasis added).

182. Courts have ignored the statutory command of the 1976 Act to assess one damage award for all infringements of any one work in several cases including *Milene Music, Inc. v. Gotauco*, 551 F. Supp. 1288, 1297 (D.R.I. 1982), where the court awarded \$625 for each time a song was publicly performed without authorization. *Id.*

183. *See supra* note 100.

184. *House Report*, *supra* note 82, at 5778.

185. *Walt Disney Co. v. Powell*, 698 F. Supp. 10, 13 (D.D.C. 1988).

186. *Walt Disney Co. v. Powell*, 897 F.2d 565, 570 (D.C. Cir. 1990).

1. The *Stigwood* Test Properly Applied

The *Stigwood* test¹⁸⁷ examines whether the individual copyrights in a cause of action overlap.¹⁸⁸ Overlapping copyrights protect subject matter designed to be used with other copyrighted material.¹⁸⁹ According to *Stigwood*, overlapping copyrights cannot singularly live their own copyright lives because they are not whole and complete without each other.¹⁹⁰ Therefore, the subject of each overlapping copyright does not qualify as a separate work.

A copyright in one cartoon does not overlap a copyright in another cartoon merely because one or more of the same characters appears in both cartoons. Again, this view ignores the creative elements in a cartoon that are separate from the character itself. A copyright which protects Mickey in a particular pose, against a particular background, engaged in a particular activity, does not overlap a copyright in a second cartoon portraying Mickey in a different pose, against a different background, and engaged in a different activity.¹⁹¹ The two copyrights protect separate and distinct subject matter that was created to be used independently.

In *Stigwood*, the copyrights found to be overlapping and superfluous covered portions of an opera from beginning to end.¹⁹² The case of one copyright in each of two separate cartoons is clearly distinguishable from two copyrights protecting one opera. By looking at the characters within the cartoon and not at the cartoon as a whole, the *Disney* court failed to see the distinction.

187. See *supra* notes 111-29 and accompanying text.

188. *Robert Stigwood Group Ltd. v. O'Reilly*, 530 F.2d 1096, 1104 (2d Cir. 1976).

189. *Id.*

190. *Id.*

191. Further support for the proposition that different poses of the same cartoon character constitute more than one work for purposes of fixing statutory damages is found in two Florida district court cases. Neither case, however, discussed the award in terms of the number of works involved. *United Feature Syndicate, Inc. v. Rheingold*, 209 U.S.P.Q. 317 (S.D. Fla. 1979), involved the sale of unauthorized iron-on transfers containing the likenesses of "Peanuts" cartoon characters. *Id.* at 318. One of the heat transfers depicted the character Snoopy as he normally appears and the other displayed Snoopy in his "Joe Cool" pose. *Id.* Although it did not discuss the statutory damages award in terms of the number of works infringed, the court nonetheless awarded \$8,000 in statutory damages for each of the infringing transfers. *Id.*

In *United Feature Syndicate, Inc. v. Sunrise Mold Co.*, 569 F. Supp. 1475 (S.D. Fla. 1983), the court fixed separate damage awards for infringing plaster molds of Snoopy as he normally appears, and Snoopy in his "World War I Flying Ace" garb. *Id.* at 1480-81. A third award was made for a mold of a dog named "Fred" that was found to be substantially similar to Snoopy himself. *Id.*

192. *Robert Stigwood Group Ltd. v. O'Reilly*, 530 F.2d 1096, 1104 (2d Cir. 1976).

2. The *Peri* Test Properly Applied

The *Peri* test asks whether each infringed copyright has separate economic value.¹⁹³ If the answer is yes, then the subject matter of the copyright is a separate work for the purpose of awarding statutory damages.¹⁹⁴ The *Peri* court determined that graphics created expressly to adorn record album covers do not have separate economic value independent from the recordings themselves, and therefore are not separate works.¹⁹⁵ This conclusion is based upon the fact that the sole purpose for the purely utilitarian packaging is to house the recordings.¹⁹⁶ The packaging's appearance in the marketplace is strictly dependent upon the existence of its contents. While it is highly likely that the public would purchase the recordings without the packaging, the converse is highly unlikely.

The symbiotic relationship between a sound recording and its packaging is distinguishable from two separate depictions of the same cartoon character. The economic value of one cartoon is not entangled with the existence of the second cartoon, except to the extent that the popularity of the first release may fuel the popularity of subsequent releases. Each would be in the marketplace even if the other did not exist. Therefore, both have separate economic value, from which it follows that both are separate works.

In asserting that the copyrighted depictions of Mickey and Minnie Mouse in various poses do not have separate economic value, the court is ignoring the value to Walt Disney. Walt Disney itself could reproduce the infringed scenes onto its own merchandise or collect licensing fees for the privilege. A Mickey Mouse fan is likely to buy several shirts portraying the venerable mouse in different poses or in scenes from different cartoons. Ultimately, defendant J & L would not have imprinted the designs on its shirts if they had no value, which presumably they did, judging from the volume of J & L's sales.¹⁹⁷ Since J & L stole and profited by using the designs, this proof shows that even a solitary scene from "Steamboat Willie" has its own economic value.

3. The Nimmer Test Properly Applied

The Nimmer viability test is merely an interpretation of the *Stig-*

193. See *supra* notes 131-57 and accompanying text.

194. *RSO Records, Inc. v. Peri*, 596 F. Supp. 849, 862 n.16 (S.D.N.Y. 1984).

195. *Id.* at 863.

196. *Id.* at 862 n.16.

197. The district court found that J & L's yearly sales volume resulted in gross receipts of over one million dollars. *Walt Disney Co. v. Powell*, 698 F. Supp. 10, 11 (D.D.C. 1988).

wood test.¹⁹⁸ In applying both the *Stigwood* and *Nimmer* tests, the court erred by focusing on the common characters in the cartoons instead of focusing on each cartoon as a whole. When properly applied to the facts of this case, most of the separately copyrighted cartoons and drawings are found to be distinct and viable works. Therefore, each warranted its own statutory damages award.

4. The "Steamboat Willie" Infringement

The *Disney* court's emphasis on the characters in the cartoons is especially difficult to follow when this line of reasoning leads to the ultimate conclusion that a full length cartoon is not a separate work.¹⁹⁹ Unlike *Air Pirates*, the *Disney* case does not merely involve taking the likenesses of characters and putting them in situations conjured up by unauthorized users.²⁰⁰ More than just the character was taken in *Disney*. Included among J & L's infringing actions was the duplication of exact poses created by Walt Disney's "Steamboat Willie" animators.²⁰¹

The production of an animated cartoon involves highly technical and creative processes.²⁰² Once a cartoon script is finalized, the animators take over. The animators break down the action in every scene into a series of drawings, each depicting the characters at a slightly different point in time.²⁰³ The illusion of live action is created when the drawings are photographed consecutively and projected at the rate of twenty-four frames per second.²⁰⁴ Thus, a ten-minute Walt Disney cartoon includes as many as 14,400 scenes that could be appropriated to adorn a T-shirt.²⁰⁵

As discussed previously, the solitary "Steamboat Willie" scenes clearly have separate economic value. Aside from the separate economic value test, reproducing a scene from "Steamboat Willie," or from any

198. See *supra* notes 157-60 and accompanying text.

199. The court did acknowledge that "Steamboat Willie" is a separate work, but only when more of its elements other than just Mickey and Minnie Mouse are infringed. *Walt Disney Co. v. Powell*, 897 F.2d 565, 570 n.10 (D.C. Cir. 1990). How much more the court would require is unclear.

200. As discussed earlier, for the purposes of this analysis it will be assumed that J & L's shirts included exact reproductions of Disney's cartoons. See *supra* text accompanying notes 180 and 181.

201. *Id.*

202. For a discussion of the animation process, see F. THOMAS & O. JOHNSTON, *DISNEY ANIMATION, THE ILLUSION OF LIFE* (1984).

203. *Id.*

204. L. MALTIN, *supra* note 164, at 4.

205. This figure is arrived at by multiplying 24 frames per second x 60 seconds per minute x 10 minutes.

other cartoon for that matter, is as much an unlawful reproduction as is duplication of the entire cartoon. Therefore, once the court acknowledged that "Steamboat Willie" was, as a whole, a separate and distinct work that had been infringed, the court should have gone no further. Instead, the court's reasoning requires that a line be drawn somewhere between the reproduction of a single frame and reproduction of the entire film.

Section 106 of the 1976 Act, which lists the exclusive rights reserved to the copyright owner, makes no reference to the percentage of a work that must be copied in order to constitute an infringing reproduction.²⁰⁶ Reference to the extent of copying that is forbidden appears only in Section 107, which delineates the factors to consider in determining if an accused infringer's actions constitute fair use.²⁰⁷

Fair use is an unauthorized, yet non-infringing, use of a copyright.²⁰⁸ Fair use includes use by reproduction for criticism, comment, news reporting, teaching, scholarship, and research.²⁰⁹ One of the statutory criteria to be considered in determining fair use is "the amount and substantiality of the portion used in relation to the copyrighted work as a whole."²¹⁰ If the legislators intended to qualify the exclusive reproduction rights of the copyright owner in similar terms for purposes other than fair use, they would have done so. With the possible exception of fair use, nowhere is it written that reproduction of less than the entire work will not constitute infringement. Therefore, since "Steamboat Willie," acknowledged by the *Disney* court to be a separate and distinct work, has been infringed, the infringement of this separate and distinct work merits its own award of statutory damages on this basis alone.

E. The Number of Works Properly Calculated

The tests that the District of Columbia Circuit applied to determine the number of works infringed are logical and useful tests. Unfortunately, the court applied the tests incorrectly in *Disney*. The court erred in focusing on the characters in the infringed cartoons and drawings, concluding that in all cases they were the only elements that were truly

206. 17 U.S.C. § 106 (1988).

207. *Id.* § 107 (1988).

208. The traditional definition of fair use is "a privilege in others than the owner of the copyright to use the copyrighted material in a reasonable manner without his consent." *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 549 (1985) (quoting H. BALL, *LAW OF COPYRIGHT & LITERARY PROPERTY* 260 (1944)).

209. 17 U.S.C. § 107 (1988). No one would argue that J & L's purely self-serving commercial use of the *Disney* characters is a fair use.

210. *Id.* § 107(3) (1988).

infringed. Had the court properly focused on each cartoon or drawing as a whole, it would have held that J & L infringed more than two works.

The court should have assessed one statutory award for each of Walt Disney's copyrighted drawings that were not part of an animated cartoon. The court also should have assessed one statutory award for the infringement of "Steamboat Willie" after finding that it was a separate and distinct work. Although J & L misappropriated two separately copyrighted scenes from "Steamboat Willie," their infringement warranted only one award based upon the 1976 Act's requirement that all parts of a compilation are to be considered a single work.²¹¹ Arguably, an animated cartoon qualifies as a compilation because it is composed of 1,440 separately drawn scenes per minute of running time.²¹²

The court need not assess a separate statutory award for the scenes depicting Mickey and Minnie in Georgetown University shirts and as black skinned. These two designs were not exact reproductions of drawings or cartoons copyrighted by Disney.²¹³ Instead, J & L placed Mickey and Minnie in poses and settings created by J & L.²¹⁴ A separate award is not warranted under the Copyright Act since, with respect to these two designs, the court was correct in stating that the only elements infringed were the two characters. The infringement of the Mickey and Minnie *works* has already been compensated for by virtue of their inclusion in the copyrighted drawings and in "Steamboat Willie," each of which should have received its own statutory award.

VI. CONCLUSION

Under the 1976 Act, when the number of works is under-represented, the statutory award will be less than the Act requires. Since the statutory damages provision requires an award for all infringements with regard to any one work, the fewer works a court finds, the lower the total award will be. The implication of *Disney* is that the force of the twin aims of the statutory damages section, compensation for harm caused to the copyright owner and deterrence of the potential infringer,²¹⁵ will be diluted. As long as the sum of money to be made is greater than the price to be paid if caught, the infringer is not as likely to be deterred by the threat of statutory damages. A savvy infringer, upon reading this case, will confine an unauthorized reproduction to a few

211. *Id.* § 504(c)(1) (1988).

212. *See supra* note 96 for the statutory definition of compilation.

213. *See supra* note 200.

214. *See supra* note 200.

215. 1961 REPORT, *supra* note 54, at 103.

highly popular cartoon characters. To maximize its profits, the infringer will reproduce those characters in as many forms and on as many articles as the market will bear, and of course will not keep any records of sales or profits.

The lower the total statutory award, the less likely a plaintiff will be adequately compensated in cases where actual damages are difficult or impossible to measure. Intangible property loss, such as diminution in market value and lost sales, will always be difficult to demonstrate by the copyright owner.²¹⁶ *Disney* is especially disheartening to the owners of copyrights in cartoons and other graphic depictions of characters within the District of Columbia Circuit where this case is binding authority. Since unauthorized reproduction of cartoon characters is apparently very lucrative, grossing over one million dollars a year for the *Disney* defendant alone,²¹⁷ the practice is not likely to stop soon. We can only hope that the court recognizes its mistake before it imposes an inadequate measure of liability on another character infringer.

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216. Note, *supra* note 71, at 489.

217. See *supra* note 197.

