

COPYRIGHT LAW, CONTRACT LAW, AND PREEMPTION UNDER § 301(a) OF THE COPYRIGHT ACT OF 1976: A STUDY IN JUDICIAL LABELING OR MISLABELING AND A PROPOSED ALTERNATIVE

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INTRODUCTION

A. *The Copyright Act of 1976 and Preemption of State Law: An Overview*

When Congress, with the President's signature, enacted the 1976 United States Copyright Act (Copyright Act), many of its provisions caused significant changes within domestic copyright law.¹ Illustrations are found within the Copyright Act's text on subject matter, owners' rights, and limits on those rights.²

For example, in § 102(a), the Copyright Act extends a copyright to "original works of authorship."³ According to the House of Represent-

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1. The Act effected a general revision of title 17 of the United States Copyright Law. H.R. REP. NO. 94-1476, at 47 (1976). The origins of that law date from 1790 (the "First Congress"). *Id.* Congress revised the law comprehensively in 1831, 1870, and 1909, as well as in 1976. *Id.* Technology drives the Law's periodic revision. *Id.* Indeed, Gutenberg's printing press is credited with creating the need for a copyright. BENJAMIN KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT, at vii-viii (1967). According to the author of this seminal work: "Copyright protection became necessary with the invention of the printing press and had its early beginnings in the British censorship laws. The fortunes of the law of copyright have always been closely connected with . . . technological improvements in means of dissemination." *Id.*

2. 17 U.S.C. § 102 (2000). As to rights and limits, the United States Supreme Court in *Sony Corp. of America v. Universal City Studios, Inc.*, remarked that the rights within the section 106 of the Act are "prefaced by the words 'subject to sections 107 through 118.'" *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 447 (1984) (quoting the Copyright Act). In turn, section 107 is "the legislative endorsement of the doctrine of 'fair use.'" *Id.* When applicable, that doctrine privileges otherwise infringing conduct. *Id.*

3. 17 U.S.C. § 102(a) (2000). The Act does not define this phrase. Within the House Report, however, the Judiciary Committee concluded that this subject matter criterion was "intended to incorporate without change the standard of originality established by the courts under the present copyright statute." H.R. REP. NO. 94-1476, at 51 (1976). The committee added: "This standard does not include requirements of novelty, ingenuity, or esthetic merit, and there is no intention to enlarge the standard of copyright protection to require them." *Id.* Section 102(a) also makes clear that a copyright subsists in an original work only when it is "fixed" in some tangible form. *Id.* at 52. The section, therefore, makes explicit two subject-matter requirements that are distinct. The result: a work (perhaps an original poem) if unfixed does not fall within the subject matter of title 17.

tatives' Judiciary Committee, it chose this language "to avoid exhausting the constitutional power of Congress to legislate in this field."⁴ "Original works of authorship," then, are not all "Writings" of "Authors" copyright law may protect. Rather, those works are the only "Writings" of "Authors" that Congress has chosen to protect.⁵

The Copyright Act's subject matter language set a significant boundary between a statutory copyright and Congress's power to grant a copyright. In § 301 of the Act, a similar subject matter revision fixed a second boundary. This one is most striking in result. It is the boundary between federal copyright law and "equivalent" state law.⁶

Initially, § 301(a) follows the lead of § 102(a). In this regard, the owner of a copyright in an original work is given only those rights that are provided within the Copyright Act.⁷ When § 301(a) applies to an original work, "all legal or equitable rights that are equivalent to any exclusive rights within the general scope of copyright . . . are governed exclusively by this title."⁸ Section 301(a) made plain its effect when providing:

4. H.R. REP. NO. 94-1476, at 51 (1976). The House Judiciary Committee recognized that the use of the statutory phrase "all the writings of an author" in the bill existing on the eve of the 1976 Act raised uncertainty concerning exhausting Congress's constitutional power. *Id.* That power arises from Article I, Section 8, Clause 8 of the United States Constitution (commonly referred to as the Patents and Copyrights Clause). U.S. CONST. art. I, § 8, cl. 8. The Constitution, in relevant part, provides: "The Congress shall have 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." *Id.* At the risk of stating the obvious, the statutory use of "writings" and "author" which parallel the Constitution's "Writings" and "Authors" created the uncertainty in legislative intention. In any event, of importance to courts was the problem of whether the statutory language and constitutional words were coextensive. H.R. REP. NO. 94-1476, at 51. As the House Committee reported: "If so, the courts would be faced with the alternative of holding copyrightable something that Congress clearly did not intend to protect, or of holding constitutionally incapable of copyright something that Congress might one day want to protect." *Id.* The 1976 Act's "original works" subject matter language is intended to avoid this problem, to confirm what courts had been doing historically, and to avoid freezing, narrowing, or expanding the scope of the United States copyright law. *Id.*

5. Section 102(a) of the 1976 Copyright Act provides an illustrative list of works that come within the legislation, if original and fixed in a "tangible medium." 17 U.S.C. § 102(a) (2000). That list has grown since 1976. For example, the copyright law was amended in 1990 to include "architectural works" with the enactment of "The Architectural Works Copyright Protection Act." *Id.* That amendment's language grants a copyright to any architectural work created on or after December 1, 1990, and to any unconstructed architectural work "embodied in unpublished plans or drawings" if constructed by December 31, 2002. Architectural Works Copyright Protection Act of 1990, Pub. L. No. 101-650, §§ 701-06, 104 Stat. 5133 (codified at scattered sections of 17 U.S.C.) (amending § 102(a) to add architectural works).

6. 17 U.S.C. § 301(a), (f)(1) (2000).

7. *Id.* § 301(a). The language of subsection (a) places boundaries on the Act's exclusivity. Section 301 applies to all rights, legal or equitable, existing on or after the law's effective date—January 1, 1978. *Id.* It, however, applies to those rights regardless of when the subject work was created or whether that work was published or not on the Act's effective date. *Id.*

8. *Id.* § 301(a). Section 106 provides the following list of a copyright owner's exclusive

“[t]hereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.”⁹

Although its meaning is plain, § 301(a)’s language raises the following question: When does a state’s common law or statute grant a person a “right or equivalent right” in a work that is the subject matter of copyright?¹⁰ This issue has arisen in a number of legal contexts.¹¹ However, it has proven most problematic in contract litigation.¹²

rights:

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

Id. § 106.

9. *Id.* § 301(a). The language of 301(b) bounds (a)’s language, in pertinent part, as follows: Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to—

- (1) subject matter that does not come within the subject matter of copyright . . . ;
- . . .
- (3) activities violating legal or equitable rights that are not the equivalent to any of the exclusive rights . . . as specified by section 106

Id. § 301(b)(1), (3).

10. At one time during the revision process, the copyright bill listed illustrative states’ rights that a court could find not equivalent to a copyright owner’s exclusive rights. Included in this list were privacy, publicity, and trade secrets rights; the laws of defamation and fraud; breach of trust or confidentiality; breach of contract; deceptive trade practices or unfair competition; and misappropriation. H.R. REP. NO. 94-1476, at 132 (1976). Because equivalency should be decided on a case-by-case basis, this list was superfluous. The list was also misleading. It appeared that the states’ rights listed were not preempted per se. The list therefore was struck before the bill became law. What remained was § 301(b)(3). 17 U.S.C. § 301(b)(3) (2000). As the obverse of § 301(a), subsection (b) provides that the Copyright Act does not “annul or limit” states’ rights not equivalent to those of § 106. *Id.* § 301(a), (b)(3).

11. *See, e.g.,* *Balsamo/Olson Group v. Bradley Place Ltd.*, 950 F. Supp. 896, 897 (C.D. Ill. 1997) (dismissing claims under the Uniform Deceptive Trade Practices Act and state tort law because both claims were equivalent to claims of copyright infringement and preempted by § 301); *P.I.T.S. Films v. Laconis*, 588 F. Supp. 1383, 1384–85 (E.D. Mich. 1984) (dismissing claims of unjust enrichment and quantum meruit because they violated rights equivalent to those found in § 301); *Cooper v. Sony Music Entm’t*, No. 01-0941, 2002 WL 391693, at *2–4 (S.D. Tex. Feb. 22, 2002) (dismissing claims of conversion, unjust enrichment, and civil conspiracy on the ground that they were preempted by § 301).

12. *See infra* notes 31–160 and accompanying text.

B. § 301(a) Preemption of Contract Claims Under State Law: A Hypothetical Case

In this regard, consider an illustrative case. Suppose *A* owns all copyrights in four music albums. Suppose further that *B* bought the copyrights for a certain sum of money. Under the contract, *A* transferred the copyrights to *B*. In addition, *A* agreed to pay *B* for each use of the music commercially. Finally, *A* promised to transfer to *B* tangible copies of the music.

After executing this contract with *B*, *A* produced, duplicated, advertised, and sold hard copies of the music. *A* did not pay *B* for any of those music uses. In addition, *A* refused to transfer copies of the music under *A*'s control. *B* then sued *A* for breach of contract.¹³ *B* brought her lawsuit before a state court. Thereafter, *A* moved to dismiss the suit asserting that the copyright and contract were equivalent under § 301(a) and therefore the state claim was preempted.

Should the state court dismiss *B*'s contract claim applying § 301(a) because the rights *B* asserted were "equivalent" to copyright rights? This question is at the center of this Article. In addressing the question, this Article divides the equivalency issue and the issue of dismissing *B*'s contract claim into a number of discrete parts.

C. Approaching the Equivalency Issue: An Overview

In Part I and Part II that follow, this Article starts with § 301(a)'s language: "legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright."¹⁴ Given this language, the Article examines the case law that has interpreted the statutory language. As the reader will see, the application of the "equivalency" issue is unsettled among the courts.¹⁵

13. These facts, in substantial part, precipitated the litigation in *Kabehie v. Zoland*, 125 Cal. Rptr. 2d 721, 726 (Cal. Ct. App. 2002). For an analysis of *Zoland*, see *infra* notes 143–160 and accompanying text.

14. 17 U.S.C. § 301(a) (2000).

15. This Article then does not purport to address the construction issues posed by § 301(a)'s "general scope of copyright" language. *Id.* § 301(a). It must be noted, however, that the preemptive effect of § 301(a) was intended to extend to works falling within the subject matter scope of copyright law even though a particular work may not "achieve Federal statutory copyright because it is too minimal or lacking in originality to qualify, or because it has fallen into the public domain." H.R. REP. NO. 94-1976, at 131 (1976). A song title, for example, may be created by the song's composer ("Yesterday" comes to my mind). The title, however, may not be original and so does not qualify for copyright protection under the Act's § 102(a). See, e.g., *R&B Inc. v. Needa Parts Mfg.*, 418 F. Supp. 2d 684, 695 (E.D. Pa. 2005) (finding plaintiff's part numbers not entitled to copyright protection because,

This Article's examination of the cases addressing the "equivalency" issue will consider different views that courts have taken on contract right preemption.¹⁶ In general, some courts have concluded that the contract provided an "extra element" or was "qualitatively different" from the copyright and so was not preempted under § 301(a).¹⁷ Other courts, however, have found that the contract provided no "extra element" or was not "qualitatively different" from the copyright. The result in these cases was preemption of the contract claim.¹⁸

After examination of the relevant case law, in Part III this Article reaches conclusions concerning the propriety of the positions that the courts have taken on the "equivalency" issue. In addition, I will raise the issue of which judicial approach works best within the contract-copyright

despite the fact that considerable time and creativity had gone into developing the numbering system, the numbers themselves did not reflect the "minimal degree of creativity" necessary for copyright protection). Nevertheless, § 301(a) may preclude the song writer from asserting state law protection in the title. 17 U.S.C. § 301(a) (2000). In addition, should a song be in the public domain under the Federal copyright law and so unprotected, it may not be protectable at state law as well.

16. Consider one significant consequence of these diverse judicial views: in the hypothetical this Article poses, *B*'s breach-of-contract claims may stand or fall depending on the court before whom *B* brought her contract suit against *A*.

17. See *infra* notes 31–87 and accompanying text.

18. See *infra* notes 109–60 and accompanying text. Not to be lost in all this is the irony resulting from judicial diversity, or "split in authority" on the issue, namely, that it undermines uniformity: a core § 301(a) concept. In this regard, § 301(a) eliminated the disparity resulting from a dual system of copyright law within the United States. 17 U.S.C. § 301(a) (2000). Under the previous version, a copyright could exist in an unpublished work at state law. Copyright Act, ch. 320, § 2, 35 Stat. 1075, 1076 (1909) (repealed). The 1909 Copyright Act's § 2 provided: "Nothing in this title shall be construed to annul or limit the right of the author or proprietor of an unpublished work, at common law or in equity, to prevent the copying, publication, or use of such unpublished work without his consent." *Id.* The state law copyright existed until its owner caused a "publication" of the work, chose available United States copyright protection, or secured that protection through notice of copyright upon "publication" of the work. Sections 9 and 11 of the 1909 Copyright Act bear on these conclusions. *Id.* ch. 320, §§ 9, 11, 35 Stat. at 1077–78 (repealed). Under section 9, a United States Copyright was secured "by publication thereof with the notice of copyright required by this title." *Id.* ch. 320, § 9, 35 Stat. at 1077 (repealed). Under § 11, the owner of a state law copyright in works "not reproduced for sale" could elect title 17's protections and forego those of a state. *Id.* ch. 320, § 11, 35 Stat. at 1078 (repealed). It is significant to note that, historically, first in England and then in the United States, not only did "publication" invest a common law copyright owner with a statutory copyright when she complied with a statutory formality such as "notice," but also "publication" divested any copyright at common law. See *Donaldson v. Beckett*, (1774) 1 Eng. Rep. 837 (H.L.) (applying the Statute of Anne (1710)); *Wheaton v. Peters*, 33 U.S. (8 Pet.) 591 (1834) (discussing how publication coupled with the formality of notice vested a statutory copyright). For a detailed examination of this case law, see generally Howard B. Abrams, *The Historic Foundation of American Copyright Law: Exploding the Myth of Common Law Copyright*, 29 WAYNE L. REV. 1119, 1156–70 (1983); see also KAPLAN, *supra* note 1, at 16–17, 26–27 (1967) (discussing common law and statutory copyright); Russ VerSteeg, *The Roman Law Roots of Copyright*, 59 MD. L. REV. 522, 523 (2000) (taking the reader back to ancient Rome for the origins of a number of copyright concepts).

preemption context.¹⁹ Finally, this Article answers this question and provides support for the underlying reasoning.²⁰

I. NONEQUIVALENT RIGHTS UNDER § 301(A)

A. *The Context: Keeping in Mind Contracts and Copyright*

Earlier, this Article offered a hypothetical in which a copyright transferee, *B*, sued her transferor, *A*, for contract breach.²¹ In responding to the suit, *A* asserted that the court must dismiss the suit because *B*'s contract rights were "equivalent" to copyright rights. As a result, § 301(a) preempted the contract claims.²²

Before the court decides whether or not to grant *A*'s motion to dismiss, it must consider the following: (1) What are *B*'s contract rights?; (2) What are *B*'s copyright rights?; and (3) Are *B*'s contract and copyright rights equivalent or not?

As a party to the contract with *A*, *B*'s rights include the opportunity to use the music commercially in any way to the exclusion of *A*, except to the extent that *A* pays *B* for the use of the music. *A*, however, produced, duplicated, advertised, and sold copies of the music without paying *B*.²³

In addition, *B* has the contract right to own copies of the music to the exclusion of *A*. *A*, however, has not transferred the copies under her control to *B*.²⁴ Finally, *B* has a right to damages resulting from *A*'s breach.²⁵ Here, *B* was damaged when *A* did not pay her for *A*'s uses of the music. In addition, *B* may have been damaged as a result of *A*'s failure to transfer copies of the music to *B*.²⁶

19. See *infra* notes 164–65 and accompanying text.

20. See *infra* notes 166–69 and accompanying text.

21. See *supra* note 13 and accompanying text.

22. *Id.*

23. *Id.*

24. *Id.*

25. *B*'s damages may include loss of use of the master recordings. They may also arise should *A*'s use have diminished or exhausted the market for the music *A* sold to *B*. On the issue of damages for breach of contract in general, see *U.S. Naval Institute v. Charter Communications, Inc.*, 936 F.2d 692, 696 (2d Cir. 1991) ("Since the purpose of damages for breach of contract is to compensate the injured party for the loss caused by the breach, those damages are generally measured by the plaintiff's actual loss. While on occasion the defendant's profits are used as the measure of damages, this generally occurs when those profits tend to define the plaintiff's loss . . .") (citations omitted); Joseph M. Perillo et al., *Damages*, in 11 CORBIN ON CONTRACTS §§ 55–60 (2005) (examining all aspects of damages for breach of contract).

26. For example: without *A*'s copy, *B* may be unable to cause additional copies of the music to be made and distributed, for which she would have received a certain sum of money. See *Kabehie v. Zoland*, 125 Cal. Rptr. 2d 721, 735 (Cal. Ct. App. 2002) ("failing and refusing continuously to the

B also was *A*'s copyright transferee.²⁷ As such, *B* acquired the exclusive rights of copyright ownership.²⁸ In general, *B*, as owner, may reproduce and distribute any one or more of the songs to the exclusion of all others.²⁹ Therefore, when *A* reproduced the songs for sale, she infringed on *B*'s exclusive right to do so as copyright owner.³⁰

A breached *B*'s contract rights. She also infringed *B*'s copyright rights. On *A*'s motion to dismiss, the court must examine the issue of equivalent rights under § 301(a). A number of lower federal court and state appellate court decisions define "equivalency" and so are instructive when applying § 301(a).

B. Firoozye v. Earthlink—Extra Elements and Qualitative Differences—Judicial “Labels” Determine a “Nonequivalent Right”

In *Firoozye v. Earthlink Network*, for example, plaintiff, a computer software developer, sued defendant, an Internet provider, for breach of an oral contract.³¹ Plaintiff claimed that defendant broke their agreement by reproducing software plaintiff created and by failing to pay plaintiff for its reproduction of that software.³²

In addressing defendant's motion to dismiss based on § 301(a)'s application, the United States District Court for Northern California recognized that for defendant to prevail the court must find that plaintiff

present to deliver . . . the master recording"); see *infra* notes 143–60 and accompanying text; DAN B. DOBBS, LAW OF REMEDIES § 3.3(3) (2d ed. 1993) (outlining the issues surrounding damages generally and in the contract context specifically); Todd M. Murphy, *Crossroads: Modern Contract Dissatisfaction as Applied to Songwriter and Recording Agreements*, 35 J. MARSHALL L. REV. 795, 801–05 (2002) (providing an examination and overview of a standard recording contract).

27. See 17 U.S.C. § 201(d)(1) (2000) ("The ownership of a copyright may be transferred . . . by any means of conveyance."). It is worth noting that the transfer is "not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner . . . or such owner's duly authorized agent." 17 U.S.C. § 204(a) (2000). The hypothetical assumes that *A*'s contract with *B* was written and signed by *A*, and so in all respects complied with § 204(a) and was valid.

28. See *supra* note 8 (describing the rights of a copyright owner).

29. See *supra* note 8 and accompanying text. Section 106(1) and (3) so provide. 17 U.S.C. § 106(1), (3) (2000).

30. See 17 U.S.C. § 501(a) (2000) (defining a copyright infringer as one who "violates" any § 106 exclusive right).

31. *Firoozye v. Earthlink Network*, 153 F. Supp. 2d 1115, 1118 (N.D. Cal. 2001). In addition to the oral contract theory, plaintiff claimed that quasi-contract breach, unjust enrichment, misrepresentation (intentional and negligent), conversion (trover), misappropriation of trade secrets, unfair competition and involuntary trust supported his recovery. *Id.* at 1118–19. In turn, the district court considered § 301(a)'s preemptive effect, if any, as to each theory. *Id.* at 1126–32. The multiple actions brought in this case are a reminder that a contract breach and § 301(a) preemption are but one context in which the equivalent right issue may arise.

32. *Id.* at 1127.

asserted contract rights “equivalent” to the Copyright Act’s rights protected in § 106.³³ Before the court could make this finding, it recognized that it must analyze the elements of state law breach of contract.³⁴ Thereafter the district court concluded, “if the right defined by state law may be abridged by an act which in and of itself would infringe one of the exclusive rights in the Act,” that state right was preempted under § 301(a).³⁵

According to *Firoozye*, however, § 301(a) does not apply given two findings: (1) the state breach-of-contract law replaces or adds to defendant’s act of reproduction before plaintiff may prove his claim successfully; and (2) the “extra element . . . changes the nature of the action so that it is qualitatively different from a copyright infringement claim”³⁶

Under *Firoozye*, a state law breach-of-contract right is a nonequivalent right when it substitutes for, or is an add-on to, a § 106 right, thereby qualitatively distinguishing the state right from the copyright right.³⁷ A number of courts are in accord with the *Firoozye* approach.³⁸

C. Judicial Labeling Continues: Smith v. Weinstein; National Car Rental System, Inc. v. Computer Associates International; and Wrench LLC v. Taco Bell Corp.

1. *Smith v. Weinstein*

Three decisions are illustrative of the case law based on judicial labeling. In each case the contract claim was not preempted. The first is *Smith v. Weinstein*.³⁹ In *Smith*, plaintiff, a professional comedy writer, authored a screenplay about an annual rodeo held in a Texas prison.⁴⁰ Defendant, Weinstein, contracted plaintiff to write “treatments” based on the screenplay.⁴¹ Weinstein rejected plaintiff’s work, but persuaded

33. *Id.* at 1125. The district court concluded that defendant “established that the work involved falls within the general subject matter of the Copyright Act.” *Id.*

34. *Id.*

35. *Id.*

36. *Id.* (internal quotation marks omitted).

37. *Id.* at 1125–26.

38. For the origins of the “extra element” standard, see *Computer Assocs. Int’l v. Atlati, Inc.*, 982 F.2d 693, 716 (2d Cir. 1992) and *Trandes Corp. v. Guy F. Atkinson Co.*, 996 F.2d 655, 659 (4th Cir. 1993), *cert. denied*, 510 U.S. 965 (1993). The leading treatise on copyright law also suggests that on the equivalent rights issue, the “extra element” test is controlling. MELVILLE B. NIMMER & DAVID NIMMER, 1 NIMMER ON COPYRIGHT § 1.01[B], at 1-13 to -15 (1963).

39. *Smith v. Weinstein*, 578 F. Supp. 1297 (S.D.N.Y. 1984).

40. *Id.* at 1299.

41. *Id.* at 1300.

defendant, Columbia Pictures, to make a movie based on the work's subject matter.⁴² Thereafter, plaintiff sued Weinstein claiming, in part, breach of contract.⁴³

When examining whether § 301(a) preempted the action for breach, the court observed: "To the extent plaintiff rests his contract claim not on breach of the terms of the contract but on Weinstein's having copied his property . . . it is of course preempted."⁴⁴ If such was the case, plaintiff would be asserting the copyright owner's right only, i.e., to preclude reproduction.⁴⁵ The court also reasoned that if within his breach-of-contract action, plaintiff alleged a contract right "qualitatively different" from or "nonequivalent to" a copyright, defendants' breach was actionable.⁴⁶ Both *Firoozye* and *Smith* resolved the "equivalency" problem in favor of non-preemption but only upon finding a contract right existing "qualitatively different" from the copyright.⁴⁷

2. *National Car Rental System, Inc. v. Computer Associates International*

In addition to *Smith*, the United States Court of Appeals for the Eighth Circuit's opinion in *National Car Rental System, Inc. v. Computer Associates International* exemplifies the "qualitatively different" rights analysis that many courts apply to § 301(a)'s "equivalent right" language.⁴⁸ In *National Car Rental*, Computer Associates (CA) licensed its copyrighted software to National Car Rental (National).⁴⁹ By its terms, the license restricted National's use of the software to "the internal operations of

42. *Id.*

43. *Id.* at 1299. In addition to his contract action, plaintiff sought relief as a result of defendants' copyright infringement and unfair competition. *Id.* at 1299–1304, 1306–07.

44. *Id.* at 1307. The court added: "Plaintiff cannot merely rephrase the same claim citing contract law and thereby obtain relief equivalent to that which he has failed to obtain under copyright law." *Id.* (citing 17 U.S.C. § 301(a) (2000)). Indeed in another part of its opinion, the district court held that defendants' movie did not infringe plaintiff's copyrighted works as a matter of law. *Id.* at 1302.

45. See 17 U.S.C. § 106(1) (2000) (delineating an owner's exclusive right to reproduce the copyrighted work as well as authorize its reproduction by others).

46. *Smith*, 578 F. Supp. at 1307.

47. *Firoozye v. Earthlink Network*, 153 F. Supp. 2d 1115, 1125 (N.D. Cal. 2001); *Smith*, 578 F. Supp. at 1307. The *Smith* court held that plaintiff's contract action was not preempted. *Smith*, 578 F. Supp. at 1308. As to why, the court found that a contract right to be paid was different enough from a copyright. *Id.* at 1307.

It is noteworthy that when, as in *Smith*, a court finds defendants' breach is actionable, the court has decided by implication the broader issue that recognizing the state law contract right will not monopolize the copyright. See *infra* notes 96–105 and accompanying text (discussing anti-monopolization policy).

48. *Nat'l Car Rental Sys., Inc. v. Computer Assocs. Int'l*, 991 F.2d 426, 431 (8th Cir. 1993).

49. *Id.* at 427.

Licensee and for the processing of its own data.”⁵⁰

When CA claimed that National was in breach of the restricted use provision and threatened suit, National brought a declaratory relief action in which it sought findings that it neither was in breach nor violated CA’s software copyright.⁵¹ As might be expected, CA counterclaimed for breach of contract and copyright infringement.⁵² The trial court entered a judgment for National on the breach claim.⁵³ It reasoned that this claim was “equivalent” to a copyright right and, as a result, was preempted under § 301(a) of the Copyright Act.⁵⁴

The United States Court of Appeals for the Eighth Circuit, however, reversed the judgment on CA’s contract counterclaim.⁵⁵ It did so for two reasons: (1) the claim did not allege an unauthorized exercise of a § 106 right; and (2) the alleged restriction on use was “an extra element in addition to the copyright rights making this cause of action qualitatively different from an action for copyright.”⁵⁶

Not only does *National Car Rental* exemplify a court’s application of the “extra element/qualitatively different” measure of a nonequivalent contract right, but the opinion also sheds considerable light on when a contract’s use restriction embodies that right.⁵⁷ In this regard, the court distinguished between the contract’s term “use” and a copyright owner’s § 106 rights.⁵⁸ When National used CA’s software contrary to the

50. *Id.* A change in National’s business model led to a modification of the license. *Id.* at 428. Although changed, the license continued to restrict National’s use of CA’s software by precluding “the processing of data . . . of any third party.” *Id.*

51. *Id.*

52. *Id.*

53. *Id.* at 427–28.

54. *Id.* at 428. According to the district court, the contract right pled in CA’s counterclaim and the copyright law’s distribution right were “equivalent.” *Id.*

55. *Id.* at 431.

56. *Id.* In reaching its first finding, the court opined that “the pleadings cannot properly be read to allege distribution of a copy, neither can they be read to allege a lease of a copy.” *Id.* at 430. These were the only § 106 rights that the district court thought were implicated in CA’s claim. *Id.* With respect to the Eighth Circuit’s second conclusion, it was premised in substantial part on a leading copyright treatise, *Nimmer on Copyright*, the text of which acknowledges that the “extra element” avoids preemption since the “state-created cause of action” is based on a right outside of the scope of copyright. *Id.* at 431 (citing NIMMER & NIMMER *supra* note 38, at 1-13 to -15).

Worth noting is a case analogous in fact and result to *National Car Rental*. In *Frontline Test Equip., Inc. v. Greenleaf Software, Inc.*, the restriction on use forbade defendant from decompiling plaintiff’s copyrighted software. *Frontline Test Equip., Inc. v. Greenleaf Software, Inc.*, 10 F. Supp. 2d 583, 593 (W.D. Va. 1998). There the court reasoned that since “[d]ecompile is not forbidden by federal copyright law” the contract right was not equivalent to copyright and so was not preempted. *Id.* (alluding to the “extra element” test but not using it in the reasoning).

57. See generally *Nat’l Car Rental*, 991 F.2d at 430–35.

58. *Id.* at 432. In doing so the court relied heavily on two decisions: one from a United States district court in Massachusetts and the other from the United States Court of Appeals for the Ninth

contract's restriction, it did not copy that software nor did the "use restriction" purport to affect CA's right to copy.⁵⁹ To make the point clear, the court added that "CA does not claim that National is doing something that the copyright laws reserve exclusively to the copyright holder, or that the use restriction is breached 'by the mere act of reproduction, performance, distribution or display.'"⁶⁰

With respect to National's violation of CA's use restriction, the court found that it was National's processing of third-party data that caused the breach and concluded that contract law, not copyright law, created CA's right to control processing data.⁶¹ The result: that right is the extra element qualitatively different from a copyright right.⁶²

Although the right to process data in *National Car Rental* is not included among those rights in the Copyright Act's § 106, and so the Eighth Circuit's decision squares literally with the "equivalent right" language in § 301, the results in other lower federal court decisions may be somewhat less palatable. Illustrative are the following two cases.

3. *Wrench LLC v. Taco Bell Corp.*

a. An Implied-in-Fact Contract

In *Wrench LLC v. Taco Bell Corp.*, the United States Court of Appeals for the Sixth Circuit addressed for the first time the question of whether the

Circuit. *Id.* In the first case, the district court concluded that a "use" restriction may implicate only the unauthorized use of an authorized copy of the copyright work. *Id.* As such, contract breach and not copyright infringement is the only available remedy. *Computer Assocs. Int'l v. State St. Bank & Trust Co.*, 789 F. Supp. 470, 472 (D. Mass. 1992). In the second case, the court of appeals held that the case did not involve the right to make a copy. *G.S. Rasmussen & Assocs. Inc. v. Kalitta Flying Serv. Inc.*, 958 F.2d 896, 904 (9th Cir. 1992). Rather, the case concerned defendant's unauthorized use of plaintiff's copy. *Id.* Unaffected, therefore, was plaintiff's right "to make as many copies . . . as it wishes." *Id.*

59. *Nat'l Car Rental*, 991 F.2d at 433.

60. *Id.*

61. *Id.*

62. *Id.* It is worth noting that the *National Car Rental* court found that the Copyright Act's legislative history supported its decision on the "equivalency" issue. *Id.* at 433-34. Here the copyright bill as drafted appeared to exclude "breaches of contract" at least presumptively. *Id.* at 433. Although the apparent presumption was removed before enactment, the Ninth Circuit in *National* found that "Congress did not intend to reverse the presumption of non-preemption." *Id.* (referring to remarks made by the House Committee Chair during floor debate on § 301). Comparable to the *National Car Rental* court's "extra element" analysis is that of the court in *Acorn Structures, Inc. v. Swantz*, 846 F.2d 923, 926 (4th Cir. 1988). In that case the Court of Appeals for the Fourth Circuit held that when a cause of action is based upon an implicit contractual provision it is distinct from a copyright action and so not preempted under § 301(a). *Id.*

Copyright Act preempted a breach of an implied-in-fact contract.⁶³ When analyzing the facts under the “extra element/qualitatively different” formula, the court focused on the user’s promise to pay the creator for the use of the work.⁶⁴ According to the court, that promise and the user’s failure to pay gave a right to the damage action.⁶⁵

With the implied-in-fact contract in this posture, the Sixth Circuit reasoned as follows:

The extra element is the promise to pay. This extra element does change the nature of the action so that it is qualitatively different from a copyright infringement claim. The qualitative difference includes the requirement of proof of an enforceable promise and a breach thereof which requires, *inter alia*, proof of mutual assent and consideration, as well as proof of the value of the work and appellee’s use thereof.⁶⁶

Although the *Wrench* court found that the promise to pay was the extra element, the court also stated: “we do not embrace the proposition that all state law contract claims survive preemption simply because they involve the additional element of promise.”⁶⁷ The court added that the breach-of-

63. *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 449 (6th Cir. 2001).

64. *Id.* at 457.

65. *Id.* at 456. It may be of interest to some that the work in question was “Psycho Chihuahua,” a cartoon character. *Id.* at 449. That character’s personality, as used by Taco Bell, may be remembered “as ‘irreverent,’ ‘edgy,’ and ‘spicy,’ with an ‘over-the-top’ attitude.” *Id.* at 450. For its commercial purpose, Taco Bell added to Psycho’s persona an “‘insatiable craving’ for Taco Bell food.” *Id.* That a promise may also provide an “extra element” and prevent preemption of a contract claim also is illustrated in *Sharp v. Patterson*, No. 03-8772, 2004 WL 2480426, at *7 (S.D.N.Y. Nov. 3, 2004). In this case, the United States District Court for the Southern District of New York found that the promise within the contract saved it from preemption. *Id.* The *Sharp* court explained that the contract promise saves the breach-of-contract claim from preemption because plaintiff was suing to protect the contract right based on the promise and not a copyright right. *Id.* On its facts, *Sharp* appears correctly decided—the promises were to dedicate a book to plaintiff, acknowledge plaintiff’s contributions to that book, and to compensate plaintiff. *Id.* at *5. The Copyright Act does not provide for a dedication or attribution right and, therefore, does not contemplate damages for the breach of either right. See *Howard v. Sterchi*, 725 F. Supp. 1572, 1578–79 (N.D. Ga. 1989) (examining the attribution right under an oral contract at issue).

66. *Wrench*, 256 F.3d at 456. The language from this part of the *Wrench* case provides some room to wonder whether the court is saying that the promise within a contract provides the qualitative difference that avoids the preemptive effect of § 301(a). See *MCS Servs., Inc. v. Raleigh Johnsen*, No. 01-4430, 2002 WL 32348500, at *6 (E.D. Pa. Aug. 13, 2002) (finding that proof of the contract’s existence and the promise adds elements “not at issue under the Copyright Act,” and thus there was no preemption of the claim); *Bridgeport Music, Inc. v. 11C Music*, 154 F. Supp. 2d 1330, 1334 (M.D. Tenn. 2001) (quoting *Wrench*, 256 F.3d at 456).

67. *Wrench*, 256 F.3d at 457. The court may not have found that all contract claims survive preemption because of a promise in the agreement, but the contract element appears controlling. See, e.g., *Harolds Stores, Inc. v. Dillard Dep’t Stores, Inc.*, 82 F.3d 1533, 1543 (10th Cir. 1996)

contract action is preempted if the promise is not to reproduce the copyright work, and the breach results from reproduction.⁶⁸

b. Returning to the Hypothetical Case: *B* Against *A* for Contract Breach

From this reading of *Wrench*, the conclusion may be drawn that, in general, state law contract claims are not preempted when the promise made deals with something other than reproduction alone or the violation of one or more other § 106 rights.⁶⁹ In this regard, the time is opportune to revisit the hypothetical posed earlier in this Article.⁷⁰

Should a court when considering *A*'s motion to dismiss *B*'s contract claim be persuaded to follow the *Wrench* approach, it would deny that motion.⁷¹ In reaching this result, the court would state that under the contract's terms, *B* has three rights: (1) to restrict *A*'s use of the music that is the contract's subject matter; (2) to expect that *A* pay *B* for *A*'s reproduction of the music; and (3) to recover from *A* damages incurred from the music's reproduction without payment. In addition, the court may reason that *B*'s use restriction is not equivalent to any copyright right because, for example, *B* is not claiming the restriction precludes *A* from reproducing the music.⁷² Rather, *A* may reproduce the music if paying *B* when doing so. As such *B*'s contract right is that to *A*'s payment or

(emphasizing comparison of legal elements rather than the case's facts). Indeed, in a recent decision of the District Court for New Mexico, the agreement and breach in a contract action versus copyright ownership and copying in a copyright infringement action proved the extra elements that saved the contract claim from preemption. *Black v. Kos*, No. CIV 05-163, 2005 WL 4564587, at *3 (D.N.M. Mar. 29, 2005). A literal comparison of the two actions elements should lead courts in most, if not all, cases to holdings of non-preemption. The analysis, however, reads out from § 301(a) the word "equivalent" as a predicate to the state right and copyright right involved in the case. *Id.*

68. *Wrench*, 256 F.3d at 458. Any other result would allow the action for breach to abridge the copyright infringement action. If § 301(a) is to have any force, it must apply to foreclose the state law contract claim within this setting. In this regard the *Wrench* court approved of the following passage from *Nimmer on Copyright*: "Although the vast majority of contract claims will presumably survive scrutiny . . . nonetheless pre-emption should continue to strike down claims that, though denominated 'contract,' nonetheless complain directly about the reproduction of expressive materials." *Id.* (citing *NIMMER & NIMMER supra* note 38, at 1-23).

69. Similar to *Wrench* in effect is the decision of the District Court of Appeal of Florida in *Garrido v. Burger King Corp.* When dealing with an implied contract claim, that court concluded that the promise to pay for the value of ideas creates a right qualitatively different from copyright. As a result, the claim of breach was not preempted. *Garrido v. Burger King Corp.*, 558 So. 2d 79, 83 (Fla. Dist. Ct. App. 1990).

70. To reexamine the hypothetical, see *supra* note 13 and accompanying text.

71. See *supra* notes 63-68 and accompanying text (discussing *Wrench*'s holding and reasoning).

72. The court may also rely on the reasoning of the Eighth Circuit in the *National Car Rental* case to support its holding. *Nat'l Car Rental Sys. v. Computer Assocs. Int'l*, 991 F.2d 426, 427-28 (8th Cir. 1993). See *supra* notes 49-52 and accompanying text.

damages from *A* in the unpaid amount. In finalizing the court's reasoning, it must follow that *B*'s contract right is that to *A*'s payment and not that to exclude *A* from reproducing the copyrighted music. Again *A*'s motion to dismiss therefore must be denied.

A's promise to pay *B* for reproducing the music may save the breach-of-contract action from preemption under *National* and, in particular, under *Wrench*.⁷³ Suppose, however, that *A* made the argument in support of her motion that preemption applies because enforcing *A*'s promise to pay is no different from affording *B* remedies existing under the copyright law for infringement. As a result, *A*'s promise grants to *B* an equivalent right to a copyright.⁷⁴

In the face of such an argument, a number of courts may continue to find *B*'s contract right not equivalent to *B*'s copyright right. Consider the holdings and reasoning in the following cases.

D. A Promise to Pay Is Not an Equivalent Copyright Remedy, Nor a Prohibition Against Use: Brown v. Mojo Records and Taquino v. Teledyne Monarch Rubber

1. *Brown v. Mojo Records*

In *Brown v. Mojo Records*, plaintiffs were, at various times, members of The Cherry Poppin' Daddies.⁷⁵ Plaintiffs, as copyright co-owners, sued their fellow co-owners for breach of contract and sought a share of the monies defendants received from record and music sales.⁷⁶ In moving to dismiss plaintiffs' contract claim, defendants argued that plaintiffs, in substance, sought profits as copyright co-owners and so were asserting their "copyright interests."⁷⁷ In addition, defendants asserted that because plaintiffs' copyright and contract interests were equivalent, the breach-of-contract action was preempted under § 301(a).⁷⁸

The United States District Court held that the copyright law did not

73. *Wrench*, 256 F.3d at 457; *Nat'l Car Rental*, 991 F.2d at 433.

74. The Copyright Act makes explicit the remedies of the "copyright owner's actual damages and any additional profits of the infringer." 17 U.S.C. § 504(a)(1) (2000). *B*'s right to actual damages as a copyright owner appear equivalent to *B*'s right to payment under *A*'s contractual promise.

75. *Brown v. Mojo Records*, No. CV-00-286-ST, 2000 WL 33244473, at *1 (D. Or. June 6, 2000).

76. *Id.* at *2-3.

77. *Id.* at *3.

78. *Id.*

preempt plaintiffs' contract claim.⁷⁹ When applying the "extra element—qualitatively different" preemption standard, the court reasoned that "[t]he 'extra element' consists of proof of the alleged contractual relationship, its terms, and the conduct that allegedly violated those terms."⁸⁰ Relating *Mojo* to the hypothetical case of *B* versus *A*: should *Mojo*'s holding apply to *A*'s promise, the court would deny the motion because that promise is a contract term that *A* broke and so is an "extra element" saving *B*'s action for breach from preemption.

The *Mojo* decision is but one illustration of a court's application of the "extra element" standard in a broadened context.⁸¹ An insightful decision with a similar effect, albeit in the prohibition-against-use context and outside of the record-music industry, is *Teledyne Monarch Rubber v. Taquino*.⁸²

2. *Teledyne Monarch Rubber v. Taquino*

Here the parties entered into a contract prohibiting Taquino from using Teledyne's drawings in sales literature.⁸³ Taquino broke this promise.⁸⁴ As a result, Teledyne sued for breach. In addressing § 301(a)'s application, the United States Court of Appeals for the Fifth Circuit concluded that the action involved "an element in addition to the mere reproduction, distribution, or display: the contract promise" and so the contract claim was not preempted.⁸⁵ Although implicit, the promise restricting the drawings' use appeared to be one not to reproduce, distribute, or display the drawings.⁸⁶ If, as the *Taquino* court held, that promise did not create a right

79. *Id.* at *4.

80. *Id.* at *5. According to the *Mojo* court, the existence and breach of contract is peculiarly a matter for state law and so is not preempted by copyright. *Id.* As somewhat of an afterthought, the court added that plaintiffs sought compensation under contract and not a remedy for infringement of an exclusive right of a copyright co-owner. *Id.* In the final analysis, the court concluded that plaintiffs' contract rights are qualitatively different from their copyright rights. For this author at least, given *Mojo*'s reasoning, little if anything is left of § 301(a) preemption in the breach-of-contract context. *See County of Delaware v. Gov't Sys., Inc.*, 230 F. Supp. 2d 592, 599 (E.D. Pa. 2002) ("[T]he rights and obligations created by the express terms of the Agreements provide the extra element"); *Chesler/Perlmutter Prods., Inc. v. Fireworks Entm't Inc.*, 177 F. Supp. 2d 1050, 1059 (C.D. Cal. 2001) ("Because Plaintiff has alleged that the parties reached an actual agreement . . . and that the relationship continued after that agreement was reached, . . . the 'extra element' requirement has been met for the implied contract claim.");

81. *Mojo*, 2000 WL 33244473, at *4–5.

82. *Teledyne Monarch Rubber v. Taquino*, 893 F.2d 1488, 1501 (5th Cir. 1990).

83. *Id.*

84. *Id.*

85. *Id.*

86. A second example of a use restriction that, by implication at least, appears to be a restriction on reproduction or distribution is found in *Lennon v. Seaman*, 63 F. Supp. 2d 428 (S.D.N.Y.

equivalent to those found in the Copyright Act's § 106, it appears that the court is reading an exemption from preemption into § 301(a) for contract-based actions.⁸⁷ What appears to be implicit in the *Taquino* court's reasoning was made explicit in a decision of the United States Court of Appeals for the Seventh Circuit.

E. Exempting Contract Claims from § 301(a) Preemption

In *ProCD, Inc. v. Zeidenberg*, plaintiff created a computer database.⁸⁸ Plaintiff sold this database to consumers for personal use within a box that "declare[d] that the software comes with restrictions stated in an enclosed license."⁸⁹ Significantly, under this so called "shrink wrap" or "end user" license, the consumer was not to use either the database's underlying software or the software's content, i.e., the factual data encoded, commercially.⁹⁰

Matthew Zeidenberg was a co-defendant who, after buying ProCD's "consumer package," sold the database to a fellow co-defendant, a for-profit internet database provider.⁹¹ ProCD's breach-of-contract action followed, in which it sought equitable relief.⁹²

When the court of appeals considered whether § 301(a) preempted plaintiff's state law-based contract rights, it acknowledged that the section

1999). There the United States District Court for the Southern District of New York concluded that defendant's promise not to reveal information about a celebrity couple (John Lennon and Yoko Ono) created a "bargained-for right not to have certain information disclosed to others, rather than, as the copyright law provides, to enforce an exclusive right to reproduce, distribute and display certain works." *Id.* at 438. In this regard it is noteworthy that the copyright owner's reproduction, distribution, and display rights include the right to decide whether to exercise those rights at all. *Cf.* Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 551 (1985) ("Publication of an author's expression before he has authorized its dissemination seriously infringes the *author's right to decide . . . whether it will be made public . . .*") (emphasis added).

87. *Taquino*, 893 F.2d at 1501.

88. *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1449 (7th Cir. 1996).

89. *Id.* at 1450. Plaintiff encoded the license agreement to which the packaging referred on a CD-ROM disk which appeared on the user's computer screen whenever the program was running. *Id.* Plaintiff also included the license in printed form within the software's packaging. *Id.*

90. *Id.* at 1450. ProCD used this license to market its database to consumer or non-commercial users at a price affordable to them, while at the same time charging commercial users a higher price that those users would nonetheless be willing to pay. *Id.* at 1449. A consumer-user breached the license by reselling plaintiff's program or by listing to a commercial user. *Id.* at 1450.

91. *Id.* at 1450. That service was able to offer ProCD's "consumer package" to its users at a price lower than ProCD's consumers' sales price. *Id.*

92. *Id.* ProCD sought to enjoin the continued dissemination of its database contrary to its license. *Id.* Interestingly, much of the Seventh Circuit's opinion concerned the relationship of shrink wrap end user licenses to contract law. *Id.* In this regard, the court concluded that ProCD's licenses were "ordinary contracts accompanying the sale of products . . . governed by the common law of contracts and the Uniform Commercial Code." *Id.*

functions to prevent state law from protecting works that are the subject matter of copyright only when the “rights created by contract [are] ‘equivalent to any of the exclusive rights within the general scope of copyright.’”⁹³

With respect to the “equivalency” issue and the two-party contract between ProCD and Zeidenberg, the court stated:

Rights “equivalent to any of the exclusive rights within the general scope of copyright” are rights established *by law*—rights that restrict the options of persons who are strangers to the author. Copyright law forbids duplication . . . and so on *A copyright is a right against the world. Contracts, by contrast, generally affect only their parties; strangers may do as they please, so contracts do not create “exclusive rights.”*⁹⁴

Having stated the general rule that contracts do not create exclusive rights, it follows that they are therefore generally not subject to § 301(a) preemption.⁹⁵

93. *Id.* at 1453–54. At least one court to date suggests that the resolution of the “equivalency issue” is one of degree. *See Berkla v. Corel Corp.*, 66 F. Supp. 2d 1129, 1149–50 (E.D. Cal. 1999) (finding that an unauthorized public release in breach of a contract was nothing but “an infringement claim dressed up as breach of contract” and thus was preempted). When the contract restricts “over-dissemination and use” of the copyrighted images “for any reason other than evaluation” and the promise is broken, an “extra element” exists. *Id.* at 1150. The contract action therefore survives preemption. *Id.*

94. *ProCD*, 86 F.3d at 1454 (second emphasis added). In *Video Pipeline v. Buena Vista Home Entm’t*, the United States District for the District of New Jersey approved of the *ProCD* language and so accepted the contrast between the public copyright and private contract. *Video Pipeline v. Buena Vista Home Entm’t, Inc.*, 210 F. Supp. 2d 552, 566 (D.N.J. 2002); *see also Lowry’s Reports, Inc. v. Legg Mason, Inc.*, 186 F. Supp. 2d 592, 594–95 (D. Md. 2002) (finding not preempted a contract establishing “a private law governing fair use of the copyrighted works . . . which [made] the claim qualitatively different from a simple copyright case, in which there is no ‘private law’ defining what is and is not fair use”); *Architectronics, Inc. v. Control Sys., Inc.*, 935 F. Supp. 425, 438–39 (S.D.N.Y. 1996) (adopting *ProCD*’s distinction between private contracts and public copyrights). The *Lowry’s Reports* court’s reasoning has a question-begging quality to it. Should there be a private law of “fair use” when § 107 of the Copyright Act applies to each member of the public?

95. The United States Court of Appeals for the Eleventh Circuit adopted this reasoning in *Lipscher v. LRP Publications, Inc.* *Lipscher v. LRP Publ’ns, Inc.*, 266 F.3d 1305, 1318 (11th Cir. 2001). Not only did the *Lipscher* court find the *ProCD* reasoning persuasive, but it also indicated that in general courts have left “private contracts” not preempted. *Id.* Should an “extra element” be needed in order to avoid preemption, the *Lipscher* court opined that “the existence of a valid contract between the parties” fulfills that need. *Id.* at 1318–19; *see also Bowers v. Baystate Techs., Inc.*, 320 F.3d 1317, 1324 (Fed. Cir. 2003) (noting that most courts that have examined the contract breach–preemption issue find contractual restraints on copyright not to be preempted).

F. Labeling Rejected and Public Policy Substituted: ProCD v. Zeidenberg Continues

The *ProCD* court did not adopt a per se rule exempting contracts from preemption.⁹⁶ To its credit, the Seventh Circuit added to the language above the following ameliorating words: “[W]e think it prudent to refrain from adopting a rule that anything with the label ‘contract’ is necessarily outside the preemption clause.”⁹⁷ Having rejected labeling as the basis for deciding the preemption issue, *ProCD* provided a policy-centered substitute.⁹⁸

In this regard, the court focused on the possibility that an application of contract law could interfere with § 301(a)’s national objectives.⁹⁹ On the facts before it, the court in turn concluded that the contract, which did not withdraw information from the public domain, was not preempted because the contract right and copyright right were different.¹⁰⁰

Turning to the *ProCD* license, the Seventh Circuit considered ProCD’s attempt, if any, under that contract to withdraw information from the public domain.¹⁰¹ The court concluded that ProCD did not do so for several reasons: (1) the license did not preclude copying and dissemination of facts from 3,000 telephone books embodied within ProCD’s database; (2) the license did not preclude anyone from adding to the information found in the database, e.g., “SIC codes and zip codes”; and (3) allowing ProCD to enforce its license might have made information more readily available.¹⁰² As a result, ProCD might have been able to reduce its “consumer package” price.¹⁰³

It was only after the court determined that the ProCD license would not defeat the anti-monopolization goal of § 301(a) that the court concluded that the contract rights were enforceable.¹⁰⁴ Since those rights would not

96. *ProCD*, 86 F.3d at 1454–55.

97. *Id.* at 1455. The court further noted that factual variations in contract cases and the possibilities that may arise in the future “are too numerous to foresee.” *Id.*

98. *Id.*

99. *Id.*

100. *Id.*

101. *Id.*

102. *Id.*

103. *Id.* The court’s last reason raises questions. Is the court suggesting that ProCD’s cost per unit will fall with state contract protection and so the number of consumers who buy its “package” will increase? Is it suggesting that state law contract protection will result in the preclusion of consumers reselling commercially, with the results that ProCD’s consumer package price will come down and that demand for the product will increase? If the latter, the result smacks of monopolization of public domain information, which the court of appeals eschews.

104. *Id.* Not only may the shrink wrap license leave unaffected access to public information, but also such “[l]icenses may have other benefits for consumers: many licenses permit users to make

interfere with the attainment of national objectives of that section, they were therefore not equivalent.¹⁰⁵

G. ProCD: A Benchmark of Sorts

The *ProCD* opinion serves as a benchmark for a number of preemption points: (1) in general, contract rights are not equivalent to a copyright and so are not preempted under the copyright law;¹⁰⁶ (2) contract rights may, but need not, interfere with copyright policy—only those that interfere are preempted; and (3) the jurisprudence of labeling “all contracts not preempted,” or not preempted when an “extra element” exists resulting in a “qualitative difference,” is flawed.

II. EQUIVALENT RIGHTS UNDER § 301(A)

This Article has examined a number of cases in which courts considered labeling to be paramount. Those courts concluded that the contracts in question each contained an “extra element that made the contract right qualitatively different” from the copyright right.¹⁰⁷ As such, the courts found § 301 inapplicable.

A. Judicial Labeling—Finding Preemption

Judicial labeling, however, is a two-way street in the “extra element,” “qualitative difference” context. This point is illustrated in several cases. Leading this line of authority is *American Movie Classics Co. (AMCC) v. RKO Pictures, Inc. (RKO)*.¹⁰⁸

1. *American Movie Classics Co. v. RKO Pictures, Inc.*

In *AMCC*, Turner Entertainment (Turner) entered into a licensing

extra copies, to use the software on multiple computers, [or] even to incorporate the software into the user’s products.” *Id.*

105. See *Bowers v. Baystate Techs., Inc.*, 320 F.3d 1317, 1336–38 (Fed. Cir. 2003) (Dyk, J., concurring in part and dissenting in part) (agreeing with the reasoning and result in *ProCD* and opining that a shrink wrap license’s provision contrary to national policy would not save the license from preemption under the Copyright Act).

106. See Maureen A. O’Rourke, *Drawing the Boundary Between Copyright and Contract: Copyright Preemption of Software License Terms*, 45 DUKE L.J. 479, 518 (1995) (suggesting that an “extra element” will be found in each contract and thus all contracts would escape preemption under § 301(a)).

107. See *supra* notes 37–87 and accompanying text.

108. *Am. Movie Classics Co. v. RKO Pictures, Inc. (AMCC)*, 922 F. Supp. 926 (S.D.N.Y. 1996).

agreement with AMCC.¹⁰⁹ Under the agreement, Turner granted AMCC the exclusive right to exhibit certain movies on cable television.¹¹⁰ AMCC claimed that Turner breached the contract when Turner exhibited movies that it had given AMCC the exclusive right to exhibit.¹¹¹ Because the movies were the subject matter of copyright, preemption under § 301(a) became an issue.¹¹²

When the district court considered whether AMCC's contract right to exhibit the movies exclusively was equivalent to rights held under a copyright, it adopted a familiar rubric.¹¹³ The court reasoned that if the contract cause of action embodied an "extra element" or a requirement "instead of or in addition to the acts of reproduction, performance, distribution or display," there would be no preemption.¹¹⁴ When the AMCC court applied the "extra element" formula, it found that the breach claim should be preempted if "based on allegations that the defendant did something that the copyright laws reserve exclusively to the plaintiff."¹¹⁵ That claim, however, would not be preempted if the "contract create[d] a right not existing under copyright law—a right based upon a party's contractual promise," and "the plaintiff [wa]s suing to protect that contractual right."¹¹⁶ Thereafter, the court concluded that the contract's exclusivity provisions did not provide an "extra element" that avoided preemption because AMCC's breach was founded on Turner's violation of exclusive exhibition rights.¹¹⁷ Exclusive exhibition was a right common to both the copyright and the AMCC–Turner contract.¹¹⁸

109. *Id.* at 929.

110. *Id.* AMCC also brought claims against Turner for copyright infringement. *Id.* Those claims arose from Turner's exhibition of the movies on its cable station that Turner granted AMCC the exclusive right to exhibit. *Id.*

111. *Id.*

112. *Id.* at 930. AMCC asserted valid copyrights in the movies. *Id.* Therefore, they squarely fall within the subject matter of copyright. *Id.*

113. *Id.*

114. *Id.* at 931 (citing *Computer Assocs. Int'l v. Atlai Inc.*, 982 F.2d 693, 716 (2d Cir. 1992)). The AMCC court added that under the "extra element" standard, the element that avoids preemption must cause a qualitative difference between the state-law-based and copyright-based claims. *Id.*

115. *Id.* A similar point was made in *Miller v. CP Chems. Inc.*, 808 F. Supp. 1238 (D.S.C. 1992). There the district court found that the breach of an employment contract claim embodied no "extra element" even if there was a promise broken by defendant employer. *Id.* at 1245–46. The rationale: "If the employee can bring a lawsuit under state law based upon an alleged oral promise, then the presumptions created under the Copyright Act would be substantially, if not totally, undermined." *Id.* (referring to the works-for-hire presumption of employer authorship of an employee-created work).

116. *AMCC*, 922 F. Supp. at 931.

117. *Id.* at 931–32.

118. *Id.* The court added that it did "not perceive a 'qualitative difference' between AMCC's breach of contract claim (based on the agreement's exclusive exhibition right) and its copyright claim (based on the Copyright Act's exclusive right of public performance)." *Id.* In the final analysis, the

2. *Wolff* and *Madison River Management*

Two United States district court opinions, one decided in the Southern District of New York and the other decided in the Middle District of North Carolina, follow *AMCC*'s labeling approach when deciding the preemption issue. In *Wolff v. Institute of Electrical and Electronics Engineers, Inc.*, plaintiff, a photographer, licensed his copyrighted photo of military helicopters in flight to defendant magazine.¹¹⁹ Plaintiff limited the rights it granted to defendant in a "Stock Photo Invoice" as follows: the photo was solely to be used in the "November 1988 Special Issue" of defendant's magazine.¹²⁰ In addition to that use, however, defendant reproduced the photo in 1989 in two advertising trade magazines.¹²¹

Under these facts, the district court considered plaintiff's breach-of-contract claim and the issue of preemption.¹²² In doing so, the *Wolff* court stated the following rule: "State causes of action are 'equivalent' to the exclusive rights within copyright law, and accordingly preempted . . . unless they are 'qualitatively different' from the rights granted under the Copyright Act."¹²³

For the *Wolff* court, whether or not plaintiff's contract right was equivalent depended upon the outcome of a "qualitative difference" analysis.¹²⁴ According to the court, that difference did not exist in that case because defendant's breach resulted from the infringement of plaintiff's copyright in the photo.¹²⁵

court thought it clear that the contract claim was equivalent to the copyright law's right of public performance. *Id.* Perhaps the court would have thought differently had *AMCC* emphasized Turner's promise as an "extra element" "qualitatively different" from the public-performance right. The promise binds the parties only. The performance right binds the public generally. *Cf. supra* notes 94–95 and accompanying text. *AMCC* was followed in *Cooper v. Sony Records International*, in which the district court held Sony's alleged breach through wrongful commercial exploitation of master recordings was the "very essence" of plaintiff's copyright claim. *Cooper v. Sony Records Int'l*, No. 00-233, 2001 WL 1223492, at *4–5 (S.D.N.Y. Oct. 15, 2001). Plaintiff's contract action, therefore, was preempted for want of an "extra element." *Id.*

119. *Wolff v. Inst. of Elec. and Elec. Eng'rs, Inc.*, 768 F. Supp. 66, 67 (S.D.N.Y. 1991).

120. *Id.*

121. *Id.* Plaintiff had not authorized defendant to reproduce the photograph for this purpose. *Id.*

122. *Id.* at 69. In an earlier part of its opinion, the court entered summary judgment in favor of plaintiff on the liability issue of his copyright claim. *Id.* at 68–69.

123. *Id.* (emphasis added). It appears that the rule's language presumes preemption initially. Thereafter, plaintiff has the burden of persuading the court of a "non-equivalent" breach claim. In other words, the general rule is one of preemption with exceptions in specific cases.

124. *Id.*

125. *Id.* It seems that the court could have reasoned just as readily that the breach and infringement claims were different in quality because the contract claim is based on defendant's broken promise. This is unlike a copyright claim, which is based on a defendant's unauthorized reproduction.

For a decision akin to *Wolff*, see *Wharton v. Columbia Pictures Indus.*, 907 F. Supp. 144,

A second federal district court opinion illustrating a court's use of jurisprudential labeling resulting in preemption is *Madison River Management Co. v. Business Management Software Corp.*¹²⁶ In this case, a software company, Business Management Software (BMS), sold fifteen licenses for its copyrighted software application to Madison River Management Company (Madison).¹²⁷ Thereafter, Madison used BMS's software in excess of the number of licenses it had bought.¹²⁸ After the parties' attempt to negotiate an unlimited-use site license for the BMS software failed, Madison brought suit for declaratory relief.¹²⁹ BMS counterclaimed for breach of contract.¹³⁰

BMS's breach claim gave rise to the preemption issue.¹³¹ In addressing the issue, the district court applied the "extra element" test with its "qualitatively different" component.¹³² According to the court, contract claim elements and copyright infringement elements were to be examined.¹³³ When the court did so, it ruled that the contract claim should be preempted when, although labeled "contract," the complaint was about the "reproduction of expressive materials."¹³⁴ With respect to the BMS counterclaim, BMS alleged that the contract breach arose from Madison's unauthorized copying and use.¹³⁵ In another part of its pleading, BMS asserted that Madison had infringed the copyright through unauthorized copying and use.¹³⁶ BMS argued that the "extra element" saving the contract case from preemption was Madison's promise to pay for any use of the software.¹³⁷ The *Madison* court, however, found BMS's argument to be flawed for two related reasons: (1) the contract at issue did not expressly provide for Madison's promise to pay for unauthorized copies made; and (2) any implied promise to pay arose from BMS's copyright right to

146 (D. Md. 1995) (finding a breach claim not qualitatively different because its central allegation was defendant's plagiarism of plaintiff's copyrighted screenplay).

126. *Madison River Mgmt. Co. v. Bus. Mgmt. Software Corp.*, 351 F. Supp. 2d 436 (M.D.N.C. 2005).

127. *Id.* at 440.

128. *Id.*

129. *Id.* at 441.

130. *Id.* An unlimited site license would have solved the dispute. Madison could have bought the right to use the software within its business and without restriction. *Id.* at 436, 440-41.

131. *Id.* at 441-42.

132. *Id.* at 442.

133. *Id.* at 442-43.

134. *Id.* at 443 (citing *Frontline Test Equip., Inc. v. Greenleaf Software, Inc.*, 10 F. Supp. 2d 583, 593 (W.D. Va. 1998)). Before the court decided whether the BMS contract claim was preempted, it examined the "precise contract rights" BMS was asserting. *Id.*

135. *Id.*

136. *Id.*

137. *Id.*

archival copies made by Madison.¹³⁸ The court, therefore, found no “extra element” “qualitatively different” that would save the contract counterclaim from preemption.¹³⁹

B. *Returning to the Case of B Against A*

With *Madison*, this trilogy of judicial labeling leading to holdings of preemption provides a counterpoint to that line of judicial authority in which a like judicial approach yielded findings that the breach claim was not preempted.¹⁴⁰ What of the parties, *A* and *B*, to the hypothetical that winds throughout this Article? How would its parties fair under the *AMCC* line of cases?

An answer to at least one of the questions the hypothetical raised is found within *Madison*.¹⁴¹ The *Madison* court, when focusing on an implied promise to pay, reasoned that when the promise is based on another’s right to copy it does not provide an extra element qualitatively different from copyright.¹⁴² In the hypothetical, *A*’s promise to pay *B* for copying or for sale of the music (the copyright *B* owns) would not provide the needed element. *B*’s contract claim, therefore, would be preempted.

C. *Kabehie v. Zoland: An Aid in Analyzing the Case of B Against A*

To answer the remaining questions posed by the hypothetical, an examination of a fourth decision, *Kabehie v. Zoland*, is required.¹⁴³ In this case, Seyed E. Kabehie and his company Pars Video, Inc. (collectively Pars) and defendants Farid Zoland and Mehin Abadani, d.b.a. Avang Music Company (collectively Avang) entered into a contract.¹⁴⁴ Under the agreement, Pars bought Avang’s copyrighted music for \$24,000.¹⁴⁵ Avang broke the contract in part by reproducing and selling the music that was the subject matter of the contract.¹⁴⁶

138. *Id.* at 443–44. Although not argued, perhaps the implicit promise to pay arose from the contract and Madison’s failure to pay, rather than the copyrighted, unauthorized reproduction. If so, that failure to pay would appear sufficient even for the *Madison* court to find present the “element” and “difference” that saves the contract claim from preemption. *Id.*

139. *Id.* at 444.

140. *See supra* notes 31–87 and accompanying text.

141. *Madison*, 351 F. Supp. 2d at 444.

142. *Id.*

143. *Kabehie v. Zoland*, 125 Cal. Rptr. 2d 721 (Cal. Ct. App. 2002).

144. *Id.* at 726.

145. *Id.*

146. *Id.*

Pars brought suit against Avang for breach of the contract.¹⁴⁷ The trial court entered a judgment for Avang on the basis of copyright law preemption.¹⁴⁸ The California Court of Appeals agreed that the Copyright Act preempted the contract claim based on Avang's reproduction and sale of the music it sold to Pars.¹⁴⁹ In reaching this conclusion, the court of appeals took the position that the extra elements in a contract that are qualitatively different from copyright provide the means to avoid preemption.¹⁵⁰ Those contract elements not qualitatively different are therefore preempted.¹⁵¹

In distinguishing extra elements that are qualitatively different from those that are not, the *Kabehie* court included "independent covenants" such as rights to royalties or to payment as different, but excluded the promise, which it found to be equivalent to copyright.¹⁵² As to the copyright-equivalent promise, the court stated: "[T]here is simply no consideration for the promise. The promisor has merely agreed to do that which the promisor is already obligated to do under federal copyright law."¹⁵³ With respect to Pars's claim based on Avang's promise not to copy or sell the music, the court found no qualitatively different extra element.¹⁵⁴ Reproduction and distribution are copyright rights.¹⁵⁵

Applying the preemption analysis of *Kabehie* to the hypothetical case of *A* and *B*, *B*'s contract claim must be preempted. *A* has duplicated and sold hard copies of the music in breach of *A*'s promise to *B*. *A* has merely agreed to do what the copyright law requires. There is no extra element qualitatively different from *B*'s copyright in the music. In addition to its promise not to copy or sell, *A* promised, but did not tender copies of the music to *B*. Is this promise and any action for its breach preempted under *Kabehie* or the *AMCC* line of preemption cases as well?

147. *Id.*

148. *Id.*

149. *Id.* at 734.

150. *Id.*

151. *Id.* The court described this position as the majority view and one in which courts have "used a fact-specific analysis." *Id.* at 733. In accord with the *Kabehie* holding is *Ritchie v. Williams*, 395 F.3d 283 (6th Cir. 2005). In this case, in which litigants included Kid Rock, the United States Court of Appeals for the Sixth Circuit concluded that "[t]here is no meaningful 'extra element' . . . that removes the reformulated claims from the policy of national uniformity established by the preemption provisions of § 301(a)." *Id.* at 287–88. The contract claims about which the court of appeals wrote "basically assert that Kid Rock infringed the publication, performance, and distribution rights of those claiming under the . . . contracts." *Id.* at 287.

152. *Kabehie*, 125 Cal. Rptr. 2d at 733.

153. *Id.*

154. *Id.*

155. *Id.*

For the *Kabehie* court, the short answer appears to be “No.”¹⁵⁶ In this regard, the court, without explanation, found that failing to deliver copies as promised was “an extra element distinguishing the contract action from a copyright infringement action.”¹⁵⁷

CONCLUSIONS AND OBSERVATIONS

From this examination of § 301(a)’s “equivalency” language in light of the breach-of-contract case law, a number of conclusions may be drawn. Foremost, generalizations such as:

- (1) contract rights are not equivalent to copyright rights and are therefore not preempted; and
- (2) only contract rights that interfere with a copyright right are preempted

are unhelpful to litigants and courts faced with deciding a preemption issue.¹⁵⁸ The first generalization is contradicted in the cases finding equivalency and thus preemption.¹⁵⁹ The second generalization begs the question of which contract clauses interfere with copyright right. In this regard, the object is to decide when the contract right interferes with the copyright right, justifying preemption. Only when this decision is made is the preemption issue answered.

With issue resolution in mind, a second conclusion can be drawn. The predominant judicial test for “equivalency” focuses attention on “extra elements,” “qualitative differences,” or similar labels.¹⁶⁰ Although labeling contract elements and finding differences between a contract and a copyright provides a basis for judging “equivalency” under § 301(a), this judicial approach misses the mark. Here, the cases suggest that like promises may or may not lead to the extras or differences sufficient to

156. *Id.* at 734.

157. *Id.* The ruling of the court appears correct. The promise to deliver copies, if enforced under state contract law, would not adversely affect § 301(a)’s policy of national uniformity because no copyright rights are at issue. *Cf. Ritchie v. Williams*, 395 F.3d 283, 287–88 (6th Cir. 2005) (discussing the policy of national uniformity set out in § 301(a) and the need to be wary of claims lacking an “extra element”).

158. *See ProCD Inc. v. Zeidenberg*, 86 F.3d 1447, 1449 (7th Cir. 1996) (rejecting the district court’s reliance on those precepts).

159. *See supra* notes 108–56 and accompanying text.

160. The labeling methodology exists throughout the cases no matter the court’s decision on the preemption issue. *See supra* notes 31–87 and accompanying text (contract rights not preempted); *see also supra* notes 108–57 and accompanying text (preemption applied to contract claims).

exclude a contract from preemption.¹⁶¹ National uniformity in applying the copyright law's preemption statute to contract claims is lost as a result.

National uniformity, however, is a public good only when enforcing a contract creates a monopoly beyond that created under the Copyright Act. The United States Court of Appeals for the Seventh Circuit made a similar point in *ProCD v. Zeidenberg*.¹⁶²

It is with § 301(a)'s anti-monopolization policy in the forefront that courts should address the "equivalency" questions in the contracts setting. The application of this policy-centered approach is preferable to judicial labeling of elements or differences.

The policy approach makes transparent the following: (1) the copyright law's grant to a copyright owner rights limited within the statute; (2) the benefit to the public—access to matters lying outside those limits; and (3) the detriment to any member of the public to whom a contract at state law denies that access. Judicial labeling obscures the rights, benefits, and detriments in search of "extras," "differences," or like shibboleths.

A policy-centered approach can also harmonize disparate results in facially similar cases. The promise-to-pay cases are illustrative. In *Wrench LLC v. Taco Bell Corp.*, the United States Court of Appeals for the Sixth Circuit concluded that the user of copyrighted material who promises to pay its author for the use made provided an "extra element" that avoided preemption of the author's contract claim.¹⁶³ On the other hand, in *Madison River Management v. Business Management Software Corp.*, a United States District Court in North Carolina, applying the "extra element" test, held that a promise to pay for using copyrighted material did not save a contract counterclaim from preemption.¹⁶⁴

Had both the *Madison* and *Wrench* courts rejected "extra element" labeling for an anti-monopolization policy approach, sense could be made out of the different results in the two cases. In *Madison*, the district court found that the right to payment for use arose out of the copyright owner's right to copy.¹⁶⁵ The promise then fell within the limits set by the copyright law exclusively. Contractual enforcement of the promise would have

161. Compare *supra* notes 63–68 and accompanying text (*Wrench LLC v. Taco Bell Corp.*), with *supra* notes 126–39 and accompanying text (*Madison River Mgmt. Co. v. Bus. Mgmt. Software Corp.*).

162. See *supra* notes 96–105 and accompanying text (contract enforceable when it does not defeat anti-monopolization goal implicit in § 301(a)).

163. See *supra* note 66 and accompanying text. It is worth recalling that the court of appeals in *Wrench* did not say every promise provides the "extra element" necessary to prevent § 301(a)'s application. *Id.*

164. See *supra* note 139 and accompanying text.

165. See *supra* notes 134–35 and accompanying text.

exceeded the limits of copyright law, thus violating the anti-monopolization policy furthered by preemption.

With respect to *Wrench*, however, the promise to pay, according to the court of appeals, did not arise from a copyright owner's right to copy.¹⁶⁶ The promise, therefore, fell outside the exclusive limits of copyright law. As a result, its enforcement did not conflict with the preemption anti-monopolization policy of that law.

Putting preemption policy on the judicial table forces courts to consider the public good or detriment in each contract-preemption case. At the same time, the analysis of labels, "extras," or "differences" can be removed from that table as they detract from the public policy focus. Doing both would enable courts to harmonize the existing case law, set a policy-based course for future contract-preemption cases, and put the Copyright Act's § 301(a) goal of national uniformity on firm footing.

166. The court distinguished the promise to pay from the promise not to copy. Only the latter was subject to preemption. *See supra* notes 65–66 and accompanying text.