

Chihuahuas, Seventh Circuit Judges, and Movie Scripts, Oh My: Copyright Preemption of Contracts to Protect Ideas

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NOTE

CHIHUAHUAS, SEVENTH CIRCUIT JUDGES, AND MOVIE SCRIPTS, OH MY!: COPYRIGHT PREEMPTION OF CONTRACTS TO PROTECT IDEAS

Samuel M. Bayard†

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In this Note, the author examines the question of when § 301 of the Copyright Act preempts contract claims involving idea submissions. The author examines two opposing views on the issue presented by the case law: namely, (1) that courts should virtually never preempt contract claims because contract rights and copyright rights are fundamentally different, and (2) that courts should make a fact-specific inquiry regarding the particular contract and preempt a claim if the defendant breaches the contract by merely performing an act reserved to a copyright owner in § 106 of the Copyright Act. According to the author, these opposing views are the result of the courts' disagreement over the meaning of 17 U.S.C. § 301, which states that rights "equivalent" to those within the general scope of copyright "are governed exclusively by this title." The author argues that neither approach convincingly refutes the other and proposes an alternative, policy-based framework for analyzing contract preemption under 17 U.S.C. § 301. The author suggests that, when confronted with a contract claim involving a defendant who has breached the contract in question by performing an act reserved to the copyright owner under § 106, courts should preempt contract claims when the creator-author has expressed her idea in a commercially distributed tangible medium of expression, and they should not preempt contract claims when the creator-author has yet to disclose or sell the idea to the public in such a form.

INTRODUCTION

Neither man [nor woman] nor nation can exist without a sublime idea.

—Fyodor Dostoyevsky

United States copyright law does not protect ideas, but rather the expression of ideas;¹ in other words, "ideas . . . become, after voluntary communication to others, free as the air to common use."² This idea/expression dichotomy³ presents a special problem for a person who "creates only an idea, not literary property, or who having created literary property finds that only his idea and not its 'expression' has been borrowed."⁴ The classic "idea-person"⁵ is someone with an idea for a film who submits this idea to a movie producer in hope of remu-

¹ 17 U.S.C. § 102(b) (1994) ("In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work."); MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 16.01 (2000), LEXIS, Secondary Legal: Matthew-Bender Treatises & Materials: Intellectual Property.

² *Int'l News Serv. v. Associated Press*, 248 U.S. 215, 250 (1918) (Brandeis, J., dissenting).

³ For a more detailed discussion of the policy behind the idea/expression dichotomy, see Dennis S. Karjala, *Federal Preemption of Shrinkwrap and On-Line Licenses*, 22 U. DAYTON L. REV. 511, 520-21 (1997).

⁴ NIMMER & NIMMER, *supra* note 1, § 16.01.

⁵ Commentators have used the term "idea-man" in scholarship on the protection of ideas. See, e.g., NIMMER & NIMMER, *supra* note 1, § 16.01; David M. McGovern, *What Is Your*

neration,⁶ but the case law also involves idea proposals for board games,⁷ advertising schemes,⁸ and even natural-language search capabilities for legal research databases.⁹ The important legal issues arise when an idea-person believes that an idea-recipient has stolen an idea from a proposal and used it to make money.

Because of the idea/expression dichotomy, copyright law provides little help to the idea-person who seeks to protect her ideas from theft or copying.¹⁰ Accordingly, creator-authors have looked to state contract law to protect their ideas.¹¹ Under the express contract theory of idea protection, an idea-person has an enforceable contract and may sue for damages if the idea-recipient expressly promises to pay for an idea if it is used.¹² The implied-in-fact contract theory of idea protection is essentially no different from the express theory; properly understood, an implied-in-fact contract "differs from an express contract only in that the consent of the parties is expressed by conduct rather than words."¹³ Accordingly, "a contract will be implied in fact when the parties clearly intended payment to the extent of the use of the plaintiff's idea, though they did not set forth that intention in

Pitch?: Idea Protection Is Nothing but Curveballs, 15 *LOV. L.A. ENT. L.J.* 475, 475 (1995). This Note uses the gender-neutral term and will remove the quotation marks hereinafter.

⁶ See McGovern, *supra* note 5, at 475-77; see also, e.g., *Selby v. New Line Cinema Corp.*, 96 F. Supp. 2d 1053 (C.D. Cal. 2000) (involving a screenplay and idea submission for a movie entitled "Doubletime").

⁷ See, e.g., *Vantage Point, Inc. v. Parker Bros., Inc.*, 529 F. Supp. 1204, 1218 (E.D.N.Y. 1981) (denying relief to plaintiff alleging theft of board game idea on grounds that claim was time barred), *aff'd sub nom. Vantage Point, Inc. v. Milton Bradley Co.*, 697 F.2d 301 (2d Cir. 1982).

⁸ See, e.g., *Katz Doehreremann & Epstein, Inc. v. HBO*, No. 97 CIV. 7763 (TPG), 1999 WL 179603, at *4 (S.D.N.Y. Mar. 31, 1999) (declining to preempt a contract claim for protection of advertising campaign ideas); *G.D. Searle & Co. v. Philips-Miller & Assocs.*, 836 F. Supp. 520, 526 (N.D. Ill. 1993) (holding a misappropriation claim preempted when the claim was based on the alleged theft by drug manufacturer of ideas for a marketing scheme).

⁹ See, e.g., *Canter v. West Publ'g Co.*, 31 F. Supp. 2d 1193 (N.D. Cal. 1999) (withdrawn from the bound volume at the request of the court) (granting summary judgment against plaintiff alleging that West Publishing misappropriated its idea for "QueryMate").

¹⁰ See *supra* notes 1-4 and accompanying text; *infra* notes 215-19 and accompanying text.

¹¹ Cf. Glen L. Kulik, *The Idea Submission Case: When Is an Idea Protected Under California Law?*, 32 *BEVERLY HILLS B. ASS'N J.* 99, 104 (1998) (surveying the various possible theories of idea protection and concluding that "[r]emaining as viable theories are breach of express contract, breach of implied-in-fact contract, breach of confidence, and breach of confidential relationship, all of which are based on the relationship of the parties rather than ownership of property rights"); Lionel S. Sobel, *The Law of Ideas, Revisited*, 1 *UCLA ENT. L. REV.* 9, 21 (1994) ("It is now clear, however, that in virtually all cases, idea protection will be available as a matter of express or implied contract law, though in rare cases a plaintiff may have to resort to a confidential relationship theory.").

¹² *NIMMER & NIMMER*, *supra* note 1, § 16.04.

¹³ *Id.* § 16.05 (citing *Weitzenkorn v. Lesser*, 256 P.2d 947, 959 (Cal. 1953)).

express language."¹⁴ Courts find an intent to contract from the relationship of the parties, the circumstances of the submission, and the parties' conduct.¹⁵ Courts also find implied-in-fact contracts based on industry custom: that is, the plaintiff may establish the existence of an implied-in-fact contract if he can show that people in the idea-recipient's line of work generally pay for ideas received if they use them.¹⁶

Courts have placed many obstacles in the path of the idea-person seeking protection under a contract theory. For example, some courts continue to require ideas to be "novel" and "concrete" before garnering protection, even when the parties contract for disclosure regardless of novelty.¹⁷ Two further obstacles to contract-based protection of ideas are the statute of frauds and preemption.¹⁸ While the statute of frauds is beyond the scope of this Note,¹⁹ preemption is its central focus.

Prior to 1976, federal copyright preemption posed no serious threat to contracts to protect ideas because these contracts generally pertained to unpublished expressive materials, and federal copyright law left regulation of unpublished materials to state law.²⁰ After 1976, § 301 of the Copyright Act raised the specter of preemption for any state law claims that vindicate "legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of

¹⁴ *Katz Dochrenmann & Epstein, Inc. v. HBO*, No. 97 CIV. 7763 (TPG), 1999 WL 179603, at *4 (S.D.N.Y. Mar. 31, 1999).

¹⁵ See *NIMMER & NIMMER*, *supra* note 1, § 16.05[A]-[D].

¹⁶ *Markogianis v. Burger King Corp.*, No. 95 CIV. 4627 (JFK), 1997 WL 167113, at *5-6 (S.D.N.Y. Apr. 8, 1997) (stating that "[i]ndustry custom can create an implied-in-fact contract between the parties, resulting in the requisite legal relationship needed to support a misappropriation claim"); *McGhan v. Ebersol*, 608 F. Supp. 277, 285 (S.D.N.Y. 1985) ("An implied-in-fact contract may be based upon industry custom or usage regarding submission and use of ideas."). *But see Sobel*, *supra* note 11, at 44-46 (questioning whether "there actually exists any industry custom to pay for ideas" (emphasis omitted)).

¹⁷ See, e.g., *Murray v. Nat'l Broad. Co.*, 671 F. Supp. 236, 245 (S.D.N.Y. 1987) (holding that lack of novelty is fatal to plaintiff's claims of misappropriation and conversion of an idea, breach of implied agreement, breach of confidential relationship, and unjust enrichment, arising out of alleged theft of the idea for "The Cosby Show"), *aff'd*, 844 F.2d 988 (2d Cir. 1988); see also *McGovern*, *supra* note 5, at 496 (noting that some courts continue to require novelty and concreteness as prerequisites to idea protection); Steve Reitenour, Note, *The Legal Protection of Ideas: Is It Really a Good Idea?*, 18 WM. MITCHELL L. REV. 131, 146 (1992) (same).

¹⁸ *NIMMER & NIMMER*, *supra* note 1, § 16.04.

¹⁹ See generally *id.* § 16.04[B] (arguing that statute of frauds problems with respect to contracts to protect ideas should not generally be claim-killing burdens).

²⁰ The House Report accompanying the 1976 revisions to the Copyright Act explains:

Section 301, one of the bedrock provisions of the bill, would accomplish a fundamental and significant change in the present law. Instead of a dual system of "common law copyright" for unpublished works and statutory copyright for published works, which has been the system in effect in the United States since the first copyright statute in 1790, the bill adopts a single system of Federal statutory copyright from creation.

H.R. REP. NO. 94-1476, at 129 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5745.

copyright . . . in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright.”²¹

This Note tackles the question of when copyright law should preempt contract claims involving idea submissions. The case law presents two opposing views on this issue.²² The first view, represented by Seventh Circuit Judge Easterbrook’s opinion in *ProCD, Inc. v. Zeidenberg*,²³ contends that courts should virtually *never* preempt contract claims because contract rights and copyright rights are fundamentally different.²⁴ The second view, represented in *Endemol Entertainment B.V. v. Twentieth Television Inc.*,²⁵ *Wrench LLC v. Taco Bell Corp.*,²⁶ and *Selby v. New Line Cinema Corp.*,²⁷ suggests that courts should make a fact-specific inquiry regarding the particular contract in question.²⁸ Under the latter view, if a contract merely forbids an action reserved exclusively to a copyright owner under the Copyright Act,²⁹ then courts should preempt a claim brought to enforce that contract. After surveying these conflicting approaches, this Note concludes that the “extra element” test, which courts currently apply, is an insufficient vehicle for determining whether copyright law should preempt contract claims involving promises not to use an idea without payment. This Note proposes an alternative policy-based framework for analyzing contract preemption under 17 U.S.C. § 301.

Part I of this Note provides background on copyright preemption, examining the subject matter requirement and the general scope requirement in particular. Part II examines the courts’ conflicting approaches to copyright preemption of contract claims, specifically addressing the general scope prong of the extra element test.

²¹ 17 U.S.C. § 301(a) (1994).

²² *E.g.*, *Sparaco v. Lawler, Matusky, Skelly Eng’rs, LLP*, 60 F. Supp. 2d 247, 258 (S.D.N.Y. 1999). Judge McMahon noted:

There is a split among my brothers and sisters in the District Court as to whether a breach of contract claim can never be preempted, because the promise inherent in every contract automatically provides the “extra element”; or whether a promise alone is insufficient to save a breach of contract claim that asserts only that defendants did something that is reserved to the holder of a copyright.

Id. (citations omitted).

²³ 86 F.3d 1447 (7th Cir. 1996).

²⁴ *Id.* at 1454.

²⁵ 48 U.S.P.Q.2d 1524 (C.D. Cal. 1998).

²⁶ 51 F. Supp. 2d 840 (W.D. Mich. 1999).

²⁷ 96 F. Supp. 2d 1053 (C.D. Cal. 2000).

²⁸ *See also, e.g.*, *Markogianis v. Burger King Corp.*, No. 95 CIV. 4627 (JFK), 1997 WL 167113 (S.D.N.Y. Apr. 8, 1997) (holding preempted an implied-in-fact contract claim involving an idea for an educational concept for children); *Wharton v. Columbia Pictures Indus.*, 907 F. Supp. 144 (D. Md. 1995) (holding preempted a contract claim involving a screenplay for a movie).

²⁹ *See* 17 U.S.C. § 106 (1994 & Supp. IV 1998).

Part III examines § 301 and its legislative history and explains why the current preemption test results in a logical impasse. Finally, Part IV focuses on copyright policy and suggests a framework for courts to follow in augmenting the § 301 preemption test.

As a result of this policy-based analysis, this Note suggests that courts should draw a distinction between contract claims based on whether the creator-author expresses his idea in (1) a commercially distributed tangible medium of expression, or (2) a tangible medium of expression that has yet to be disclosed or sold to the public in any form. This Note concludes that courts should preempt contract claims involving the former if the breaching action is an act normally reserved to a copyright owner. Courts should not preempt contract claims involving the latter even if the breaching action is an act normally reserved to a copyright owner.

I

COPYRIGHT PREEMPTION IN GENERAL

When Congress enacted the Copyright Act of 1976,³⁰ it created a single federal copyright system for both published and unpublished works and took from the states the power to protect intellectual property through common law copyright.³¹ As part of this objective, Congress enacted § 301,³² which provides for copyright preemption of state law.³³ This statutory provision tends to simplify preemption analysis:

Courts grappling with the tension between federal and state law may apply various tests to determine whether the Supremacy Clause requires pre-emption of state law. In the context of copyright, however, Congress has acted in explicit terms to pre-empt various state laws through Section 301 of the Copyright Act of 1976. Because of the existence of Section 301, in order to determine whether state law may grant protection to works of authorship, the courts usually need not gauge whether the federal interest in this field is dominant, whether the field of federal regulation is sufficiently comprehensive to raise an inference of intent to pre-empt, or whether any of the other pre-emption tests apply; rather, in general the courts may simply turn to the explicit statutory language.³⁴

³⁰ Act of Oct. 19, 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified as amended in scattered sections of 17 U.S.C.).

³¹ See H.R. REP. NO. 94-1476, at 129 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5745; NIMMER & NIMMER, *supra* note 1, § 1.01[A].

³² § 301, 90 Stat. at 2572 (codified as amended at 17 U.S.C. § 301 (1994 & Supp. IV 1998)).

³³ 17 U.S.C. § 301 (1994 & Supp. IV 1998).

³⁴ NIMMER & NIMMER, *supra* note 1, § 1.01[B] (footnotes omitted).

Notwithstanding this simplification, if a state law claim successfully survives § 301 analysis, courts should perform constitutional preemption analysis.³⁵

Section 301 provides for preemption of state law claims that seek to vindicate rights “equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103.”³⁶ Courts have derived a two-prong test from this statutory language: § 301 preempts a state law claim if

- (i) the state law claim seeks to vindicate “legal or equitable rights that are equivalent” to one of the bundle of exclusive rights already protected by copyright law under 17 U.S.C. § 106—styled the “general scope requirement”; and
- (ii) the particular work to which the state law claim is being applied falls within the type of works protected by the Copyright Act under Sections 102 and 103—styled the “subject matter requirement.”³⁷

A. The Subject Matter Requirement

The first prong of § 301 preemption analysis—the subject matter requirement—is satisfied if the subject of the plaintiff’s state-law claim

³⁵ See Maureen A. O’Rourke, *Drawing the Boundary Between Copyright and Contract: Copyright Preemption of Software License Terms*, 45 DUKE L.J. 479, 535 (1995) (“Therefore, regardless of the applicability of § 301, a court might set aside as constitutionally preempted a licensing scheme that frustrates the Act’s overall objectives by contractually prohibiting the licensee from engaging in uses that would otherwise be sanctioned by the fair use provisions of the Act.”); see also Mark A. Lemley, *Beyond Preemption: The Law and Policy of Intellectual Property Licensing*, 87 CAL. L. REV. 111, 141-42 (1999) (noting the possibility that copyright preemption may occur, in addition to instances under § 301, when state law enforces a contract that conflicts with federal copyright law or policy).

This two-tiered analysis—first statutory, then constitutional—flows naturally from the notion that compliance with a statute, even one that Congress promulgates, cannot cure underlying conflict with the Constitution. Cf. *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 177 (1803) (“It is a proposition too plain to be contested, that the constitution controls any legislative act repugnant to it . . .”). Conflict preemption is beyond the scope of this Note. For an interesting discussion of conflict preemption, see David Nimmer et al., *The Metamorphosis of Contract into Expand*, 87 CAL. L. REV. 17, 58 (1999), which argues that a shrinkwrap license that purports to protect contractually uncopyrightable factual material should be preempted on conflict preemption grounds.

³⁶ 17 U.S.C. § 301(a) (1994).

³⁷ *Nat’l Basketball Ass’n v. Motorola, Inc.*, 105 F.3d 841, 848 (2d Cir. 1997) (quoting 17 U.S.C. § 301); see also *Endemol Entm’t B.V. v. Twentieth Television Inc.*, 48 U.S.P.Q.2d 1524, 1526 (C.D. Cal. 1998) (citing *Del Madera Props. v. Rhodes & Gardner, Inc.*, 820 F.2d 973, 976-77 (9th Cir. 1987)) (describing same test); *Worth v. Universal Pictures, Inc.*, 5 F. Supp. 2d 816, 821 (C.D. Cal. 1997) (same); *Kienzle v. Capital Cities/Am. Broad. Co.*, 774 F. Supp. 432, 436 n.7 (E.D. Mich. 1991) (citing *Harper & Row, Publishers, Inc. v. Nation Enters.*, 501 F. Supp. 848, 850 (S.D.N.Y. 1980), *rev’d on other grounds*, 723 F.2d 195 (2d Cir. 1983), *aff’d*, 471 U.S. 539 (1985)) (same); *Howard v. Sterchi*, 725 F. Supp. 1572, 1578-79 (N.D. Ga. 1989) (same), *aff’d*, 12 F.3d 218 (11th Cir. 1993).

“fall[s] within the ambit of copyright protection”³⁸ as defined by § 102 and § 103 of the Copyright Act. Section 102 provides that copyright protection adheres “in original works of authorship fixed in any tangible medium of expression . . . from which can they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.”³⁹ Additionally, § 102 specifies that copyright protection does not extend to any “idea, procedure, process, system, method of operation, concept, principle, or discovery.”⁴⁰

The subject matter requirement implicates two fundamental questions in idea cases. First, courts ask whether the idea that the plaintiff seeks to protect is “fixed in a tangible medium of expression.”⁴¹ Under § 101 of the Copyright Act, “[a] work is ‘fixed’ in a tangible medium of expression when its embodiment in a copy . . . , by or under the authority of the author, is sufficiently permanent and stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.”⁴² An important consequence of this requirement is that a plaintiff who discloses an idea that is not embodied in writing or any other tangible medium will avoid copyright preemption of her state law contract claim.⁴³ Consequently, the general scope requirement issues discussed in the remainder of this Note have no application when a contract claim involves disclosure of an idea not fixed in a tangible medium of expression. However, many creator-authors embed their ideas in tangible media, such as in film treatments or advertising storyboards.⁴⁴

The second question is whether ideas contained within a tangible medium of expression are within the “subject matter of copyright as

³⁸ *Nat'l Basketball Ass'n*, 105 F.3d at 848 (alteration in original) (quoting *Harper & Row*, 723 F.2d at 200).

³⁹ 17 U.S.C. § 102(a). Section 103 specifically provides that compilations and derivative works fall within the subject matter of copyright. *Id.* § 103(a).

⁴⁰ *Id.* § 102(b).

⁴¹ *Id.* § 301(a); see, e.g., *G.D. Searle & Co. v. Philips-Miller & Assocs.*, 836 F. Supp. 520, 524 (N.D. Ill. 1993).

⁴² *G.D. Searle*, 836 F. Supp. at 524 (alterations in original) (quoting 17 U.S.C. § 101).

⁴³ PAUL GOLDSTEIN, COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES: CASES AND MATERIALS ON THE LAW OF INTELLECTUAL PROPERTY § 15.2.2 (4th ed. 1997) (explaining that “[t]he House Report gives several examples of unfixed works that may be protected by state law” and citing as examples “‘choreography that has never been filmed or notated, an extemporaneous speech, ‘original works of authorship’ communicated solely through conversations or live broadcasts, and a dramatic sketch or musical composition . . . developed from memory and without being recorded or written down” (quoting H.R. REP. NO. 94-1476, at 131 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5747)).

⁴⁴ See, e.g., *Katz Doehrmann & Epstein, Inc. v. HBO*, No. 97 CIV. 7763 (TPG), 1999 WL 179603, at *1 (S.D.N.Y. Mar. 31, 1999) (involving sample print ads, storyboards, and advertising copy); *Smith v. Weinstein*, 578 F. Supp. 1297, 1300 (S.D.N.Y.) (involving film treatments and full length script), *aff'd*, 738 F.2d 419 (2d Cir. 1984).

specified by sections 102 and 103.⁴⁵ One may argue that because copyright law protects only “works of authorship”⁴⁶ (i.e., the particular expression of ideas) and not ideas themselves,⁴⁷ only works of authorship constitute the subject matter of copyright law for purposes of § 301.⁴⁸ Following this logic, which equates subject matter for purposes of protection with subject matter for purposes of preemption, Professor Goldstein writes, “[a]s a consequence, section 301 allows states to protect ideas, procedures, processes and methods, whether or not they appear in the context of otherwise copyrightable works.”⁴⁹ If courts followed Goldstein’s approach, the general scope issues treated below would be superfluous because no contract claim relating to ideas would satisfy the subject matter prong.

In fact, however, courts have reached the opposite conclusion, holding that ideas fixed in a tangible medium of expression are within the subject matter of copyright law for the purposes of preemption.⁵⁰ As one court aptly stated, “the shadow actually cast by the Act’s preemption is notably broader than the wing of its protection.”⁵¹ Thus, courts respect the integrity of Congress’s decision to protect certain

⁴⁵ 17 U.S.C. § 301(a).

⁴⁶ *Id.* § 102(a).

⁴⁷ *Id.* § 102(b).

⁴⁸ GOLDSTEIN, *supra* note 43, § 15.2.3.

⁴⁹ *Id.*

⁵⁰ *See, e.g.*, Nat’l Basketball Ass’n v. Motorola Inc., 105 F.3d 841, 849 (2d Cir. 1997) (“Copyrightable material often contains uncopyrightable elements within it, but Section 301 preemption bars state law misappropriation claims with respect to uncopyrightable as well as copyrightable elements.”); Selby v. New Line Cinema Corp., 96 F. Supp. 2d 1053, 1058-59 (C.D. Cal. 2000) (finding ideas for a movie to be within the subject matter of copyright for preemption purposes); Wrench LLC v. Taco Bell Corp., 51 F. Supp. 2d 840, 849 (W.D. Mich. 1999) (agreeing with previous determination that plaintiff’s claim for breach of contract with respect to an idea for a television commercial fell within the subject matter of copyright for preemption purposes); Katz Dochtermann & Epstein, Inc. v. HBO, No. 97 CIV. 7763 (TPG), 1999 WL 179603, at *3 (S.D.N.Y. Mar. 31, 1999) (finding that copyrightable storyboards, sample print ads, and musical recordings, as well as the marketing idea that underlies these tangible forms, fall within the subject matter of copyright for preemption purposes); Endemol Entm’t B.V. v. Twentieth Television Inc., 48 U.S.P.Q.2d 1524, 1526 (C.D. Cal. 1998) (“Even though the ideas embodied in a work covered by the Copyright Act fall outside copyright protection, this does not mean that they fall outside the Act’s scope regarding its subject matter”); Markogianis v. Burger King Corp., No. 95 CIV. 4627 (JFK), 1997 WL 167113, at *3 (S.D.N.Y. Apr. 8, 1997) (“[E]ven if Plaintiffs did plead that portions of the SMARTEN-UP concept consist of uncopyrightable material which the Defendant misappropriated, those portions do not take the work as a whole outside the subject matter protected by the Copyright Act.”).

⁵¹ *United States ex rel. Berge v. Bd. of Trs. of the Univ. of Ala.*, 104 F.3d 1453, 1463 (4th Cir. 1997). The House Report accompanying § 301 makes a similar point:

As long as a work fits within one of the general subject matter categories of sections 102 and 103, the bill prevents the States from protecting it even if it fails to 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. 94-1476, at 131 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5747.

forms of intellectual property while refusing to protect others.⁵² States are not “free to expand the perimeters of copyright protection to their own liking,” thus nullifying the practical bite of federal preemption.⁵³ In sum, courts generally agree that when a plaintiff submits an idea fixed in a tangible medium of expression, his contract claim at least falls within the subject matter of copyright law for preemption purposes.

B. The General Scope Requirement

The second prong of § 301 preemption analysis—the general scope requirement—is satisfied “when the state law rights asserted by the plaintiff are equivalent to any of the exclusive rights within the scope of copyright law”⁵⁴ as provided by § 106. Section 106 grants to the copyright owner the exclusive rights of reproduction, preparation of derivative works, distribution, performance, and display (including the right to authorize others to perform these actions).⁵⁵ In other words, § 301 preempts only those state law rights that “may be abridged by an act which, in and of itself, would infringe one of the exclusive rights” found in § 106.⁵⁶

Under the general scope requirement, courts often apply what is known as the “extra element” test.⁵⁷ In applying this test, “if an ‘extra element’ is ‘required instead of or in addition to the acts of reproduction, performance, distribution or display, in order to constitute a state-created cause of action, then the right does not lie ‘within the general scope of copyright,’ and there is no preemption.”⁵⁸ Stated

⁵² See *Katz Doehrmann*, 1999 WL 179603, at *3 (“Such a test would undermine one of the Copyright Act’s central purposes, to ‘avoid the development of any vague borderline areas between State and Federal protection.’” (citing *Harper & Row, Publishers, Inc. v. Nation Enters.*, 723 F.2d 195, 200 (2d Cir. 1983), *rev’d on other grounds*, 471 U.S. 539 (1985) and H.R. REP. NO. 94-1476, at 131, *reprinted in* 1976 U.S.C.C.A.N. at 5746)).

⁵³ *Harper & Row*, 723 F.2d at 200 (quoting H.R. REP. NO. 94-1476, at 130, *reprinted in* 1976 U.S.C.C.A.N. at 5746).

⁵⁴ *Am. Movie Classics Co. v. Turner Entm’t Co.*, 922 F. Supp. 926, 930 (S.D.N.Y. 1996).

⁵⁵ 17 U.S.C. § 106 (1994 & Supp. IV 1998).

⁵⁶ *Computer Assocs. Int’l, Inc. v. Altai, Inc.*, 982 F.2d 693, 716 (2d Cir. 1992); see also *Wrench LLC v. Taco Bell Corp.*, 51 F. Supp. 2d 840, 850 (W.D. Mich. 1999) (“When a right defined by state law may be abridged by an act which, in and of itself, would infringe one of the exclusive rights, the state law in question must be deemed preempted.” (quoting *Harper & Row*, 723 F.2d at 200)).

⁵⁷ See *infra* notes 58-59 and accompanying text.

⁵⁸ *Computer Assocs.*, 982 F.2d at 716 (quoting NIMMER & NIMMER, *supra* note 1, § 1.01[B]); see *Worth v. Universal Pictures, Inc.*, 5 F. Supp. 2d 816, 821 (C.D. Cal. 1997); *Hogan v. DC Comics*, No. 96-CV-1749, 1997 WL 570871, at *5 (N.D.N.Y. Sept. 9, 1997); *Markogianis v. Burger King Corp.*, No. 95 CIV. 4627 (JFK), 1997 WL 167113, at *3 (S.D.N.Y. Apr. 8, 1997); see also GOLDSTEIN, *supra* note 43, § 15.2.1.2, at 805 (“Courts generally hold that a state right is not equivalent to copyright, and thus is not subject to preemption, if the state cause of action contains an operative element that is absent from the cause of action for copyright infringement.”).

differently, courts require a state law cause of action to be "qualitatively different" from a copyright infringement action in order to survive preemption.⁵⁹ In contrast to the subject matter requirement,⁶⁰ the general scope requirement, as applied through the extra element test, creates considerable difficulty for courts performing § 301 analysis on contract claims.⁶¹

II

DIFFERENT APPROACHES TO THE GENERAL SCOPE REQUIREMENT

Courts, both within and without the specific realm of idea law, disagree over the application of § 301's general scope requirement to contract claims.⁶² They generally agree that most contract claims should survive preemption because, under most sets of facts, the alleged contract-breaching action is something other than an unauthorized exercise of one of the copyright owner's exclusive copyright rights,⁶³ and thus the contract claim is clearly not "equivalent" to an infringement action.⁶⁴ However, some courts hold that § 301 *virtually never* preempts contract claims because of the contractual relationship itself, while other courts contend that a contract does not provide an extra element if the contract merely prohibits the performance of an act reserved exclusively to the copyright holder.⁶⁵ This disagreement

⁵⁹ *Wharton v. Columbia Pictures Indus.*, 907 F. Supp. 144, 145 (D. Md. 1995) (internal quotation marks omitted) (quoting *Rosciszewski v. Arete Assocs., Inc.*, 1 F.3d 225, 230 (4th Cir. 1993)); *see also, e.g., Wrench*, 51 F. Supp. 2d at 850 ("Conversely, when a state law violation is predicated upon an act incorporating elements beyond mere reproduction or the like, the rights involved are not equivalent and preemption will not occur." (quoting *Harper & Row*, 723 F.2d at 200)).

⁶⁰ *See supra* Part I.A.

⁶¹ *O'Rourke*, *supra* note 35, at 519 ("[C]ourts have had some difficulty in interpreting [the general scope] requirement.")

⁶² *Id.* at 518-19.

⁶³ *See* 17 U.S.C. § 106 (1994 & Supp. IV 1998) (listing the rights of a copyright owner).

⁶⁴ *Nimmer et al.*, *supra* note 35, at 46 ("That doctrinal result is as it should be: the vast majority of copyright contracts easily withstand muster under section 301 because the breach alleged amounts to *more* than reproduction, distribution, etc., of a copyrighted work." (emphasis added)).

⁶⁵ *Compare* *Katz Doehrmann & Epstein, Inc. v. HBO*, No. 97 Civ. 7763 (TPG), 1999 WL 179603, at *4 (S.D.N.Y. Mar. 31, 1999) (holding that an implied-in-fact contract claim regarding ideas contained in advertising storyboards survived preemption); *Expeditors Int'l, Inc. v. Direct Line Cargo Mgmt. Servs., Inc.*, 995 F. Supp. 468, 483 (D.N.J. 1998) (finding an extra element that distinguishes contract claims from copyright claims); *Hogan v. DC Comics*, No. 96-CV-1749, 1997 WL 570871, at *5 (N.D.N.Y. Sept. 9, 1997) (holding that an implied-in-fact contract claim regarding an idea for a comic book survived preemption because of the "existence of a legal relationship" between the parties); *Architectronics, Inc. v. Control Sys., Inc.*, 935 F. Supp. 425, 433 (S.D.N.Y. 1996) ("Protection from breach of contract, however, is not equivalent to copyright protection because a contract claim requires an 'extra element' that renders the claim qualitatively different

is particularly important for contract claims regarding idea submissions, because the ordinary idea contract will forbid the use of an idea without compensation. "Use" in this context is analogous to reproduction of the idea or preparation of a derivative work based on the idea, and § 106 reserves both of these actions exclusively to a copyright holder.⁶⁶

A. Judge Easterbrook's Approach

In *ProCD, Inc. v. Zeidenberg*,⁶⁷ Judge Easterbrook, writing for the Seventh Circuit, held that § 301 virtually never preempts contract claims because "a simple two-party contract is not 'equivalent to any of the exclusive rights within the general scope of copyright.'"⁶⁸ As one commentator put it, Judge Easterbrook adopted the position that, for preemption purposes, "contracts are different."⁶⁹

The plaintiff in *ProCD* was the creator and distributor of CD-ROM discs that contained a factual compilation of business and residential listings, "includ[ing] full names, street addresses, telephone numbers,

from a claim for copyright infringement: a promise by the defendant." (citation omitted)); *Trenton v. Infinity Broad. Corp.*, 865 F. Supp. 1416, 1429 (C.D. Cal. 1994) ("[I]n terms of preemption, the contract-based causes of action do allege more than the unauthorized use of a copyrighted work. They also claim that there has been a breach of an underlying contract between the parties based on plaintiff's ideas for Loveline."); *Smith v. Weinstein*, 578 F. Supp. 1297, 1307 (S.D.N.Y.) ("A party may by contract agree to pay for ideas, even though such ideas could not be protected by copyright law. Rights under such an agreement are qualitatively different from copyright claims . . ."), *aff'd*, 738 F.2d 419 (2d. Cir. 1984), *with Tavormina v. Evening Star Prods., Inc.*, 10 F. Supp. 2d 729, 734 (S.D. Tex. 1998) ("[T]he claim is preempted insofar as Plaintiffs allege that Defendants breached their contract by not compensating Plaintiffs for displaying a copy of their house in the film."); *Worth v. Universal Pictures, Inc.*, 5 F. Supp. 2d 816, 821-22 (C.D. Cal. 1997) (incorrectly equating an implied-in-fact contract claim regarding ideas contained in a screenplay with a quasi-contract claim); *Am. Movie Classics v. Turner Entm't Co.*, 922 F. Supp. 926, 931 (S.D.N.Y. 1996) ("[A] breach of contract claim is preempted if it is merely based on allegations that the defendant did something that the copyright laws reserve exclusively to the plaintiff (such as unauthorized reproduction, performance, distribution, or display)."); *Wharton v. Columbia Pictures Indus.*, 907 F. Supp. 144, 145-46 (D. Md. 1995) (holding preempted a breach of contract claim involving an idea for a movie because it established rights that were "equivalent" to the preparation of derivative works); *Wolff v. Inst. of Elec. & Elecs. Eng'rs., Inc.*, 768 F. Supp. 66, 69 (S.D.N.Y. 1991) ("In the case at bar, IEEE breached its contract with plaintiffs, embodied in the stock photo invoice, by infringing plaintiffs' copyright. It is difficult to see how the resulting claims are qualitatively different. Accordingly the breach of contract claim is preempted."); *Brignoli v. Balch Hardy & Scheinman, Inc.*, 645 F. Supp. 1201, 1205 (S.D.N.Y. 1986) (holding a breach of contract claim preempted because "unauthorized use of copyrightable material falls squarely within § 301").

⁶⁶ 17 U.S.C. § 106(1), (2) (1994).

⁶⁷ 86 F.3d 1447 (7th Cir.), *rev'g* 908 F. Supp. 640 (W.D. Wis. 1996). The reader should note that *ProCD* is *not* an idea case. However, its logic applies to contracts in general, of which idea-submission contracts are a subset.

⁶⁸ *Id.* at 1455 (quoting 17 U.S.C. § 301(b)(3) (1994)).

⁶⁹ Lemley, *supra* note 35, at 147 (internal quotation marks omitted).

zip codes and industry or 'SIC' codes."⁷⁰ The defendants, implicitly relying⁷¹ on *Feist Publications, Inc. v. Rural Telephone Service Co.*,⁷² purchased a copy of the CD-ROM, downloaded the factual data, and made "it available to third parties over the Internet for commercial purposes."⁷³ ProCD brought a copyright infringement claim⁷⁴ and a claim for breach of the "shrinkwrap" licensing agreement that accompanied its software.⁷⁵

A shrinkwrap license is a form contract, usually included in software packaging; the manufacturer intends for the license to bind the purchaser when she opens the software packaging or performs some other required action.⁷⁶ Shrinkwrap licenses ostensibly take the place of any bargains or agreements between mass market software producers and consumers, because the typical software transaction does not involve arm's length bargaining concerning use limitations.⁷⁷ By using a shrinkwrap license, the producer generally seeks to prohibit unauthorized copies, software rental, reverse engineering and modifications to the software, and to limit the use of software to one central processing unit.⁷⁸ In *ProCD*, the plaintiffs based their breach of contract claim on shrinkwrap license terms that prohibited the purchaser from distributing, sublicensing, or leasing the software or the data contained within the software.⁷⁹ The district court granted summary judgment for the defendants on the contract claim on grounds that (1) the contract was unenforceable for lack of assent on the part of the defendants,⁸⁰ and (2) even if the contract were enforceable, § 301 would preempt it.⁸¹

⁷⁰ *ProCD*, 908 F. Supp. at 644.

⁷¹ See Nimmer et al., *supra* note 35, at 42 ("Relying on *Feist*, defendants in *ProCD* copied all the listings off the plaintiff's CD-ROMs . . .").

⁷² 499 U.S. 340 (1991). The Supreme Court held in *Feist* that "[f]acts, whether alone or as part of a compilation, are not original and therefore may not be copyrighted." *Id.* at 350. The Court explained further that "[a] factual compilation is eligible for copyright if it features an original selection or arrangement of facts, but the copyright is limited to the particular selection or arrangement. In no event may copyright extend to the facts themselves." *Id.* at 350-51.

⁷³ *ProCD*, 908 F. Supp. at 645.

⁷⁴ The district court granted summary judgment on the copyright infringement claim pursuant to *Feist*. *Id.* at 650.

⁷⁵ *Id.* at 644-45.

⁷⁶ Jason Kuchmay, Note, *ProCD, Inc. v. Zeidenberg: Section 301 Copyright Preemption of Shrinkwrap Licenses—A Real Bargain for Consumers?*, 29 U. Tol. L. Rev. 117, 117-18 (1997).

⁷⁷ *ProCD*, 908 F. Supp. at 650. The district court also explained that commentators saw shrinkwrap licenses as being of "questionable validity," because (1) they pose contract-law questions of assent, and (2) they "pose important questions about the extent to which individual contract provisions can supplement or expand federal copyright protection." *Id.*

⁷⁸ *Id.*

⁷⁹ *Id.* at 645.

⁸⁰ *Id.* at 655.

⁸¹ *Id.* at 659.

In holding ProCD's contract claim preempted, the district court relied on statutory preemption analysis and copyright policy analysis.⁸² With respect to the statutory analysis, the court concluded that the contract claim did not require an extra element because "in reality, [the plaintiff's] breach of contract claim is nothing more than an effort to prevent defendants from copying and distributing its data, exactly what it sought to bar defendants from doing under copyright law."⁸³ In reaching its conclusion, the district court expressed its disagreement with three circuit court cases:⁸⁴ *National Car Rental System, Inc. v. Computer Associates International, Inc.*,⁸⁵ *Taquino v. Teledyne Monarch Rubber*,⁸⁶ and *Acorn Structures, Inc., v. Swantz*.⁸⁷

The district court first made a half-hearted attempt to distinguish these cases factually⁸⁸ and then stated: "To the extent that *National Car Rental, Taquino, . . .* and *Acorn* support the proposition that a copyright infringement claim is not equivalent to a contract claim merely because the contract claim requires a plaintiff to show the additional element of breach, I disagree respectfully with their conclusions."⁸⁹ As Professor David Nimmer and his coauthors point out, this statement invited reversal on appeal because "an affirmance would seem to proclaim 'circuit conflict,' thus inviting certiorari."⁹⁰ As it turns out, the Seventh Circuit did take issue with this apparent rejection of precedent.⁹¹

However, the district court also grounded preemption on the fundamental conflict between enforcement of the shrinkwrap license and overarching copyright policy.⁹² Accordingly, the court found that the "[p]laintiff's license agreement is an attempt to avoid the confines of copyright law and of *Feist*"⁹³ and concluded that the contract claim should be preempted on policy grounds because "[i]t would alter the 'delicate balance' of copyright law to allow parties to avoid copyright law by contracting around it."⁹⁴

Judge Easterbrook, writing for the Seventh Circuit, reversed the district court, concluding that (1) the shrinkwrap agreement was en-

⁸² See *id.* at 657-59.

⁸³ *Id.* at 657.

⁸⁴ *Id.* at 658.

⁸⁵ 991 F.2d 426 (8th Cir. 1993).

⁸⁶ 893 F.2d 1488 (5th Cir. 1990).

⁸⁷ 846 F.2d 923 (4th Cir. 1988).

⁸⁸ See *ProCD*, 908 F. Supp. at 658.

⁸⁹ *Id.*

⁹⁰ Nimmer et al., *supra* note 35, at 47.

⁹¹ See *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1454 (7th Cir. 1996).

⁹² See *ProCD*, 908 F. Supp. at 658-59.

⁹³ *Id.* at 659.

⁹⁴ *Id.* at 658.

forceable pursuant to U.C.C. provisions for “acceptance of goods,”⁹⁵ and (2) § 301 did not preempt the contract claim because the rights protected in the shrinkwrap agreement were not “‘equivalent to any of the exclusive rights within the general scope of copyright.’”⁹⁶

The Seventh Circuit relied primarily on § 301 preemption analysis. Judge Easterbrook denied adopting a conclusive rule that all claims labeled “contract” would escape preemption.⁹⁷ However, the opinion’s language and logic tell a different story, in which it is indeed hard to imagine a contract claim not considered qualitatively different. Judge Easterbrook first addressed the issue of the district court’s disagreement with *National Car Rental*, *Acorn*, and *Taquino*, stating: “But are rights created by contract ‘equivalent to any of the exclusive rights within the general scope of copyright’? Three courts of appeals have answered ‘no.’ The district court disagreed with these decisions, but we think them sound.”⁹⁸

The resounding “no” that Judge Easterbrook attributes to the three circuit court decisions appears absolute and unqualified by factual idiosyncrasies. Contributing to this impression of conclusiveness, the court explained why it believed *National Car Rental*, *Acorn*, and *Taquino* represented the correct view, delivering a statement that leaves very little room for any putative “equivalency” between contract and copyright:

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, public performance, and so on, unless the person wishing to copy or perform the work gets permission; silence means a ban on copying. *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.”*⁹⁹

Indeed, subsequent courts arguing for the proposition that § 301 can *never* preempt contract claims have relied on just this language.¹⁰⁰ Having so dealt with the district court’s § 301 argument, the Seventh Circuit dismissed the district court’s policy concerns as insubstantial.¹⁰¹

⁹⁵ *ProCD*, 86 F.3d at 1452 (internal quotation marks omitted).

⁹⁶ *Id.* at 1454-55 (quoting 17 U.S.C. § 301(a) (1994)).

⁹⁷ *Id.* at 1455 (“Like the Supreme Court in *Wolens*, we think it prudent to refrain from adopting a rule that anything with the label ‘contract’ is necessarily outside the preemption clause: the variations and possibilities are too numerous to foresee.”).

⁹⁸ *Id.* at 1454 (citations omitted).

⁹⁹ *Id.* (second emphasis added).

¹⁰⁰ *E.g.*, *Architectronics, Inc. v. Control Sys., Inc.*, 935 F. Supp. 425, 439 (S.D.N.Y. 1996) (quoting this statement); *Expeditors Int’l, Inc. v. Direct Line Cargo Mgmt. Servs., Inc.*, 995 F. Supp. 468, 483 (D.N.J. 1998) (same).

¹⁰¹ *See ProCD*, 86 F.3d at 1455.

Judge Easterbrook's view is consistent¹⁰² with that taken by many courts and commentators in the realm of idea law, namely, that the promise involved in a contractual relationship is itself an extra element regardless of whether the defendant breaches the contract by performing an act that § 106 of the Copyright Act reserves exclusively to a copyright owner.¹⁰³ For example, Professor Nimmer, a leading commentator in the area, states that contracts relating to ideas are generally not preempted because, under the extra element test, "[the] additional element is a *promise* (express or implied) upon the part of the defendant."¹⁰⁴ Thus, there is a strong argument that courts should not preempt contract claims regarding idea submissions because the contractual relationship always precludes satisfaction of the general scope requirement.

¹⁰² The court in *Selby v. New Line Cinema Corp.*, 96 F. Supp. 2d 1053 (C.D. Cal. 2000) drew an analytic distinction between Judge Easterbrook's argument regarding "the limited scope of rights protected by contract [as opposed to] the universal scope of rights protected by copyright" and other arguments against preemption that posit that "the promise to perform the contract constitutes an extra element." *Id.* at 1059. This Note treats these views as a single class for the sake of convenience and because both locate the reason for avoiding preemption in the contractual relationship.

¹⁰³ See, e.g., *Katz Doehreremann & Epstein v. HBO*, No. 97 CIV. 7763 (TPG), 1999 WL 179603, at *4 (S.D.N.Y. Mar. 31, 1999) (holding that an implied-in-fact contract claim regarding ideas contained in advertising materials survived preemption); *Hogan v. DC Comics*, No. 96-CV-1749, 1997 WL 570871, at *5 (N.D.N.Y. Sept. 9, 1997) (holding that a state law misappropriation claim based on submission of idea for comic book, grounded on either an implied-in-fact or an implied-in-law contract, contained an "extra element" and was therefore not preempted); *Howard v. Sterchi*, 725 F. Supp. 1572, 1579 (N.D. Ga. 1989) (holding that breach of contract and breach of implied duty of good faith and fair dealing claims, arising out of misappropriation of plaintiff's designs for log homes, were not preempted by § 301 of the Copyright Act), *aff'd*, 12 F.3d 218 (11th Cir. 1993); *Ronald Litoff, Ltd. v. Am. Express Co.*, 621 F. Supp. 981, 986 (S.D.N.Y. 1985) ("Count eleven of the amended complaint is for breach of contract. That claim is qualitatively different from a copyright claim and therefore not preempted by Section 301."); *Smith v. Weinstein*, 578 F. Supp. 1297, 1307 (S.D.N.Y.) (holding that a breach of contract claim regarding disclosure of prison rodeo concept for a film was not preempted because rights under express or implied agreements are qualitatively different from copyright claims), *aff'd*, 738 F.2d 419 (2d Cir. 1984); *Kulik*, *supra* note 11, at 104 (noting that express and implied-in-fact contract claims continue to be viable theories of idea protection despite copyright preemption because they are based on the relationship of the parties rather than ownership of property rights); *McGovern*, *supra* note 5, at 492 n.81 (noting that courts have considered claims based on contractual agreements to be qualitatively different from copyright claims); *O'Rourke*, *supra* note 35, at 523 (arguing, in the context of claims regarding fully negotiated contracts, that the "extra element is a breach of promise . . . that would not exist but for the parties' agreement"); *Camilla M. Jackson*, Note, "I've Got This Great Idea for a Movie!" A Comparison of the *Laus* in California and New York that Protect Idea Submissions, 21 COLUM.-VLA J.L. & ARTS 47, 65 (1996) ("State intellectual property law governing idea submissions is unlikely to be preempted by federal copyright law . . ."); *Reitenour*, *supra* note 17, at 151 ("The express and implied contract theories include the element of a contractual relationship, thus effectively removing them from the scope of preemption.").

¹⁰⁴ NIMMER & NIMMER, *supra* note 1, § 16.04[C] (emphasis added). However, Nimmer does not purport to set out a conclusive rule, but merely states that "[f]ederal pre-emption would nevertheless seem to be avoided . . ." *Id.* (emphasis added); see also *infra* note 143 (discussing the apparent contradictions in the Nimmer treatise).

B. *Endemol, Wrench, Selby, and the Fact-Specific Approach to Copyright Preemption of Contract Claims*

Taking an opposing view, some courts look closely at the contract in question and ask whether the breaching action consists of the defendant performing an act reserved exclusively to a copyright owner in 17 U.S.C. § 106 (in which case preemption is appropriate) or whether the defendant breaches the contract by performing an act other than those reserved in § 106 (in which case preemption is not appropriate).¹⁰⁵ In three recent idea cases, federal district courts have adopted this approach.

1. *Endemol Entertainment B.V. v. Twentieth Television Inc.*

In *Endemol Entertainment B.V. v. Twentieth Television Inc.*,¹⁰⁶ the plaintiff, Endemol Entertainment ("Endemol"), alleged that the defendants, Twentieth Television, Jonathan Goodson, and various production companies, "improperly appropriate[d] the substance of Plaintiff's television show, FORGIVE ME, which he [had] distributed in Europe since 1991."¹⁰⁷ In 1994, Endemol attended a trade convention "at which new television programs [were] licensed, sold, and marketed."¹⁰⁸ Endemol "presented 'Forgive Me' to Jonathan Goodson . . . , who was then an officer for Mark Goodson Productions, Inc. . . . , for potential licensing in the United States."¹⁰⁹ The court acknowledged that "[a]t all times it was understood that disclosure of the format, including sample programs, was made in confidence and that Plaintiff would be compensated for any subsequent use of any ideas that might be used."¹¹⁰ Endemol asserted that Goodson developed a show based on the "format, expression, and concepts of 'Forgive Me'" and produced a television pilot program entitled "Forgive and Forget" along with defendants Twentieth Television and Monet Lane Productions, Inc.¹¹¹

The defendants moved to dismiss the plaintiff's claim for breach of implied-in-fact contract on preemption grounds.¹¹² Rejecting Endemol's argument that contract rights are different from copyright rights because contract rights "involve an agreement between the par-

¹⁰⁵ See, e.g., *Am. Movie Classics Co. v. Turner Entm't Co.*, 922 F. Supp. 926, 931 (S.D.N.Y. 1996); *Tavormina v. Evening Star Prods., Inc.*, 10 F. Supp. 2d 729, 734 (S.D. Tex. 1998); *Wolff v. Inst. of Elec. & Elec. Eng'rs., Inc.*, 768 F. Supp. 66, 69 (S.D.N.Y. 1991); *Brignoli v. Balch Hardy & Scheinman, Inc.*, 645 F. Supp. 1201, 1205 (S.D.N.Y. 1986).

¹⁰⁶ 48 U.S.P.Q.2d 1524 (C.D. Cal. 1998).

¹⁰⁷ *Id.* at 1524.

¹⁰⁸ *Id.* at 1525.

¹⁰⁹ *Id.*

¹¹⁰ *Id.*

¹¹¹ *Id.* (internal quotation marks omitted).

¹¹² *Id.* at 1526.

ties rather than a 'right against the world,'" the District Court for the Central District of California held that § 301 preempted the plaintiff's implied-in-fact contract claim.¹¹³ The court based its holding on the fact that the contract at issue created "no additional rights other than promising not to benefit from the copyrighted work," and that the plaintiff's claim asserted "no violation of rights separate from those copyright law was designed to protect."¹¹⁴ The court distinguished *ProCD* and *National Car Rental*, explaining that those "cases involved written contracts that had specific promises that provided an 'extra element' beyond copyright law protections."¹¹⁵

2. Wrench LLC v. Taco Bell Corp.

Adopting *Endemol's* approach¹¹⁶ in *Wrench LLC v. Taco Bell Corp.*,¹¹⁷ the District Court for the Western District of Michigan held that § 301 preempts implied-in-fact contracts that merely forbid the performance of an act reserved exclusively to a copyright holder under 17 U.S.C. § 106.¹¹⁸ The *Wrench* court thus rejected the notion that the contractual relationship itself provides an extra element for purposes of the general scope requirement.¹¹⁹

The *Wrench* plaintiffs developed a cartoon character known as "Psycho Chihuahua," which they promoted and marketed through their wholly-owned limited liability company, Wrench LLC.¹²⁰ Psycho Chihuahua was a "caricature of a feisty, edgy, confident Chihuahua with a big dog's attitude."¹²¹ At first, Wrench LLC itself marketed the Psycho Chihuahua character on T-shirts and other merchandise; by 1996, Wrench had licensed the rights to produce Psycho Chihuahua merchandise to several large manufacturers.¹²²

In June 1996, the plaintiffs attended a licensing trade show in New York City and met Ed Alfaro and Rudy Pollak, Taco Bell's Creative Services Manager and Vice President of Administration and Employee Programs respectively.¹²³ Negotiations ensued between the plaintiffs and Taco Bell (via Alfaro) regarding Taco Bell's use of the Psycho Chihuahua idea.¹²⁴ Taco Bell conceded at the summary judg-

¹¹³ *Id.* at 1528.

¹¹⁴ *Id.*

¹¹⁵ *Id.*

¹¹⁶ *Wrench LLC v. Taco Bell Corp.*, 51 F. Supp. 2d 840, 853 (W.D. Mich. 1999) ("Wrench III") ("[T]he Court finds the *Endemol* rationale to be persuasive.").

¹¹⁷ 51 F. Supp. 2d 840 (W.D. Mich. 1999) ("Wrench III").

¹¹⁸ *Id.* at 853.

¹¹⁹ *Id.* at 852-53.

¹²⁰ *Id.* at 842.

¹²¹ *Id.*

¹²² *Id.*

¹²³ *Id.*

¹²⁴ *Id.* at 847.

ment stage that there was “sufficient evidence in the record to support Plaintiff’s allegation that the parties had a basic understanding that if Taco Bell used the Psycho Chihuahua idea, concept, or image, that Taco Bell would compensate Plaintiffs for the fair value of such use.”¹²⁵

When Taco Bell started running television commercials featuring a “suave male Chihuahua with a taste for Taco Bell food and known for the line, ‘Yo quiero Taco Bell,’”¹²⁶ the plaintiffs claimed that Taco Bell had “misappropriated their creative images, ideas, concepts, and designs for its own use without compensating the Plaintiffs for use of their property.”¹²⁷ The plaintiffs’ original complaint alleged breach of implied-in-fact contract, unjust enrichment, misappropriation, conversion, and dilution of trademark and unfair competition under Michigan and California law.¹²⁸

In its June 18, 1998 opinion granting in part and denying in part Taco Bell’s motion to dismiss Wrench’s state law claims, the district court held that federal copyright law preempted the unjust enrichment claim¹²⁹ but that § 301 did not preempt Wrench’s misappropriation, conversion, and unfair competition claims.¹³⁰ The court retained these claims “because they require Plaintiffs to prove an extra element not required for a copyright infringement claim, namely, the existence of a legal relationship arising from an implied contract.”¹³¹

However, Taco Bell then moved for summary judgment on grounds that “[p]laintiffs have not established an implied in fact contract, or alternately, if they have, their claims are preempted by the Copyright Act because the implied contract creates legal rights that are equivalent to the rights within the general scope of copyright.”¹³² In the court’s opinion from June 10, 1999, the court departed from its

¹²⁵ *Id.* Taco Bell conceded this hoping that the court would grant summary judgment on the contract claim because “the parties did not agree on any of the essential terms that would normally be included in a licensing agreement, such as price, duration, scope of use, and exclusivity.” *Id.* The court disagreed with Taco Bell on this issue, however, holding that the alleged general understanding between Alfaro and the plaintiffs could constitute an implied-in-fact contract for purposes of surviving summary judgment. *Id.* at 848.

¹²⁶ *Id.* at 842.

¹²⁷ *Wrench LLC v. Taco Bell Corp.*, 49 U.S.P.Q.2d 1032, 1034 (W.D. Mich. 1998) (“Wrench I”).

¹²⁸ *Id.*

¹²⁹ *Id.* at 1037-38.

¹³⁰ *See id.* at 1038, 1039, 1040; *Wrench III*, 51 F. Supp. 2d at 846.

¹³¹ *Wrench III*, 51 F. Supp. 2d at 846; *see Wrench I*, 49 U.S.P.Q.2d at 1038-40. The district court supplemented the holding of *Wrench I* in another opinion in which it “struck Plaintiffs’ allegations of a legal relationship arising from a quasi contract on the basis that such allegations were inconsistent with the Court’s earlier determination that Plaintiffs’ unjust enrichment claim was preempted.” *Wrench III*, 51 F. Supp. 2d at 846; *see Wrench LLC v. Taco Bell Corp.*, 36 F. Supp. 2d 787, 790-91 (W.D. Mich. 1998) (“Wrench II”).

¹³² *Wrench III*, 51 F. Supp. 2d at 846.

earlier holding that the plaintiffs' implied-in-fact contract allegations were sufficient to meet the extra element test because "an implied-in-fact contract requires mutual assent and consideration."¹³³ The court granted summary judgment on the state law claims, holding that "although Plaintiffs have presented sufficient evidence to establish an implied in fact contract, those claims are subject to copyright preemption."¹³⁴

Specifically, the *Wrench* court determined that there was no per se rule against preemption of contract claims under § 301¹³⁵ and held that "[t]he rights Plaintiffs are asserting are equivalent to rights under the Copyright Act because they are based upon Taco Bell's reproduction or use of Plaintiffs' ideas for creation of derivative works."¹³⁶ Thus, the court concluded that *Wrench's* contract claim had no extra element:

Although rights may be created by a promise, whether express or implied, they do not render a claim for breach of that promise "qualitatively different" if they are infringed by the same conduct prohibited by the Copyright Act. Here, Taco Bell's alleged promise not to use Plaintiffs' ideas and concepts does not differ from the Copyright Act's prohibition against preparing derivative works from or displaying copyrighted works.¹³⁷

The *Wrench* court also provided future courts with precedent for the general proposition that "[a] promise not to use another's ideas and concepts without paying for them 'is equivalent to the protection provided by section 106 of the Copyright Act.'"¹³⁸

Central to the *Wrench* court's reasoning is its criticism of Judge Easterbrook's characterization of circuit precedent in *ProCD*.¹³⁹ Judge Easterbrook attributed to *National Car Rental*, *Taquino*, and *Acorn* the nearly absolute proposition that contract claims avoid copyright preemption because contract rights are not "equivalent to any of the

¹³³ *Wrench II*, 36 F. Supp. 2d at 791 n.2.

¹³⁴ *Wrench III*, 51 F. Supp. 2d at 846-47. The court justified its departure from and reconsideration of its earlier opinions on three grounds: (1) "Taco Bell's prior motions to dismiss did not focus specifically on the implied in fact contract claim," (2) "the preemption argument presents a question of fact in the sense that the Court must examine the precise nature of Plaintiffs' implied-in-fact contract," and (3) "if Taco Bell is correct, an enormous amount of money, probably millions of dollars, will be spent pursuing and resisting an invalid theory." *Id.* at 849.

¹³⁵ *Id.* at 853 ("Sometimes implied in fact contracts are preempted, and sometimes implied in fact contracts are not preempted. It depends upon the precise contract right being asserted.")

¹³⁶ *Id.*

¹³⁷ *Id.* (citation omitted).

¹³⁸ *Id.* (quoting *Del Madera Props. v. Rhodes & Gardner, Inc.*, 820 F.2d 973, 977 (9th Cir. 1987)); see *infra* notes 180-84 and accompanying text (examining the *Wrench* court's misquotation of this language).

¹³⁹ *Wrench III*, 51 F. Supp. 2d at 852.

exclusive rights within the general scope of copyright.¹⁴⁰ The *Wrench* court adopted Professor David Nimmer's criticism of Judge Easterbrook's opinion.¹⁴¹ Nimmer argues that (1) Judge Easterbrook mischaracterized the holdings of *National Car Rental*, *Taquino*, and *Acorn*, (2) these cases turn on their own peculiar facts, and (3) the holdings of these cases are consistent with the *ProCD* district court's position that while most contract claims should not be preempted, preemption is appropriate in certain circumstances when the contract merely "forbid[s] reproduction, distribution, or display."¹⁴² The

¹⁴⁰ *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1454 (7th Cir. 1996).

¹⁴¹ *Wrench III*, 51 F. Supp. 2d at 852-53.

¹⁴² Nimmer et al., *supra* note 35, at 50 (stating that "[t]he fact-specific holdings of these cases—that contracts that did not merely forbid reproduction, distribution, or display are not preempted—follow the same rule as *National Car Rental* and that "parallel logic dictates that *Taquino* and *Acorn* in no way undermine the district court's ruling"). This argument also appears in NIMMER & NIMMER, *supra* note 1, § 1.01[B][1][a]. Nimmer's (and thus the *Wrench* court's) argument is supported by an examination of these three cases.

In *National Car Rental*, the court did not adopt a conclusive rule in favor of non-preemption of contract claims. Rather, the court looked at the specific facts of the case, which involved a contractual promise not to use a computer program to process data for third parties, *Nat'l Car Rental Sys., Inc. v. Computer Assocs. Int'l, Inc.*, 991 F.2d 426, 428 (8th Cir. 1993), and concluded that "the contractual restriction on use of the programs constitutes an additional element making this cause of action not equivalent to a copyright action." *Id.* at 432. The court made it clear that processing data for third parties was the contractually "prohibited act" and that "[n]one of the exclusive copyright rights grant [Computer Associates] that right of their own force." *Id.* at 433. The court, however, also made clear that it was not adopting a hard-and-fast rule that courts should preempt contract claims involving contracts that prohibit actions reserved to copyright holders under § 106. *Id.* at 434 n.6 ("Because we decide that the specific contract right [Computer Associates] seeks to enforce is not equivalent to any of the copyright rights, we do not need to decide whether a breach of contract claim based on a wrongful exercise of one of the exclusive copyright rights is preempted."). Because of the nature of the contract-breaching action in this case, it is almost impossible to conclude, as Judge Easterbrook did, that *National Car Rental* stands for the proposition that the contractual relationship itself precludes preemption regardless of the nature of the contractually prohibited act.

The *Taquino* case is also factually different from the *ProCD* case because *Taquino* involved a breach of a covenant not to compete. *See Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488, 1501 (5th Cir. 1990). Like the breaching action in *National Car Rental*, competing does not invade a right reserved exclusively to a copyright holder, so the holding of nonpreemption does not support a conclusive proposition that all contract claims avoid preemption even when the breaching action is one reserved exclusively to a copyright holder.

Acorn involved an architect's "design agreement" wherein "while Swantz did not have to use *Acorn's* plans, if he did use *Acorn's* plans then he was obligated either to purchase the plans from *Acorn* or to purchase his building materials from *Acorn*." *Acorn Structures, Inc. v. Swantz*, 846 F.2d 923, 926 (4th Cir. 1988). Swantz did neither, but rather gave *Acorn's* designs to another architect to construct a home. *Id.* at 925. Here, the breaching action does appear to be the unauthorized exercise of an exclusive copyright right: either the right to make derivative works from the plans or to distribute the plans. *See* 17 U.S.C. § 106(2), (3) (1994). However, *Acorn* does not stand for the proposition that a contract itself provides an extra element for purposes of the general scope requirement. Rather, the basis of the Fourth Circuit's holding was that the contract was not within the *subject matter* of copyright law, thus failing to satisfy the subject matter prong. *Acorn*, 846 F.2d at

Wrench court concluded, quoting Nimmer for the propositions that “the rule safeguarding contract causes of action against copyright preemption is less than categorical” and that “pre-emption should continue to strike down claims that, though denominated ‘contract,’ nonetheless complain directly about the reproduction of expressive materials.”¹⁴³

3. *Selby v. New Line Cinema Corp.*

In *Selby v. New Line Cinema Corp.*,¹⁴⁴ the District Court for the Central District of California followed the approach set forth in *Endemol* and *Wrench*,¹⁴⁵ preempting a claim to enforce an implied-in-fact contract that merely prohibited the defendants from using the plaintiff’s ideas without compensation.¹⁴⁶ The plaintiff Selby thought of an idea for a movie and wrote a screenplay entitled “Doubletime” based upon that idea.¹⁴⁷ “He registered the screenplay with the Writer’s Guild of America and . . . obtained a federal copyright registration.”¹⁴⁸ Selby’s agents then submitted the screenplay and the ideas for the screenplay to the New Line Cinema Corp. (“New Line”) for consideration.¹⁴⁹ New Line rejected the submission after examining it, but requested

926 (“Acorn’s cause of action is based upon this implicit provision of the contract which does not arise out of the subject matter of copyright and is therefore a separate and distinct cause of action.”).

¹⁴³ *Wrench III*, 51 F. Supp. 2d at 852-53 (quoting MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 1.01[B][1][a], at 1-22 (1977)). Substantially the same language appears in Nimmer et al., *supra* note 35, at 50. A curious aspect of David Nimmer’s argument here is that it appears inconsistent with the assertion in his treatise that contracts to protect ideas generally escape preemption because the contractual relationship itself constitutes an extra element. See NIMMER & NIMMER, *supra* note 1, § 16.04[C]; *supra* note 104 and accompanying text.

One may explain this apparent contradiction by noting the fact that David Nimmer, who coauthored “The Metamorphosis of Contract into Expand,” Nimmer et al., *supra* note 35, and who currently updates the Nimmer treatise, did *not* originally write the treatise’s section on “The Law of Ideas,” NIMMER & NIMMER, *supra* note 1, § 16. His father, Melville Nimmer, penned that section. Sobel, *supra* note 11, at 11-12 (explaining that Melville Nimmer originally wrote a law review article entitled “The Law of Ideas” in 1954, subsequently incorporated this article into his treatise, regularly updated the treatise for some time, and that his son, David Nimmer, now updates the treatise). Melville Nimmer may have advocated the more conventional approach that a contract always constitutes an extra element, while David Nimmer may now, especially in light of his policy-based disagreement with the *ProCD* opinion, see Nimmer et al., *supra* note 35, at 50-63, support the argument that a contract does not necessarily provide an extra element.

In any case, this apparent contradiction indicates the difficulty of the current task facing courts that attempt to apply the extra element test to contract claims.

¹⁴⁴ 96 F. Supp. 2d 1053 (C.D. Cal. 2000).

¹⁴⁵ *Id.* at 1062 (citing both *Endemol* and *Wrench* as examples of analogous cases).

¹⁴⁶ *Id.* at 1061-62.

¹⁴⁷ *Id.* at 1054.

¹⁴⁸ *Id.* at 1055.

¹⁴⁹ *Id.*

that Selby show them any further drafts that he might write.¹⁵⁰ The court assumed that “[a]t the time [of] the presentation [i.e., the submission of the screenplay and ideas] . . . defendants knew and understood that Selby expected to be compensated and receive screen credit if defendants used the Ideas for the creation, development and production of a theatrical feature film.”¹⁵¹ Subsequently, New Line purchased another screenplay entitled “Frequency” from Toby Emmerich, a codefendant, and New Line produced a film from this screenplay.¹⁵² Selby believed that Emmerich copied the ideas and expression of “Doubletime” in creating “Frequency.”¹⁵³ Along with a copyright infringement claim, Selby brought a breach of implied-in-fact contract claim against New Line, alleging that New Line used his ideas in producing “Frequency” without compensating him or providing him with any screen credit.¹⁵⁴

The *Selby* court adopted a “fact-specific approach” that required examining whether “the right in question is infringed by the mere act of reproduction, performance, distribution, or display.”¹⁵⁵ The court refused to view the contractual relationship itself as an extra element:

Suppose, [for example], that the defendant promised “I will not infringe any copyright or copyright protection in the script you are proposing to show me.” In that case, the very promise is so inextricably entwined with the copyright that to permit the promisee to sue upon it would undermine the preemption feature of the Copyright Act.¹⁵⁶

The *Selby* court also rejected Judge Easterbrook’s conceptual argument about the fundamental differences between copyright and contract rights.¹⁵⁷ The court criticized Judge Easterbrook for his failure to appreciate the difference between a contract that merely forbids copying (or other § 106 actions) and a contract that forbids conduct other than copying (or other § 106 actions).¹⁵⁸ Mirroring *Endemol* and *Wrench*, the *Selby* court concluded that “[b]ecause the alleged implied-in-fact contract between Selby and defendants did not regulate

¹⁵⁰ *Id.*

¹⁵¹ *Id.* (internal quotation marks omitted).

¹⁵² *Id.*

¹⁵³ *See id.*

¹⁵⁴ *See id.*

¹⁵⁵ *Id.* at 1061 (quoting *Nat’l Car Rental Sys., Inc. v. Computer Assocs. Int’l, Inc.*, 991 F.2d 426, 431 (8th Cir. 1993)) (second internal quotation marks omitted). *Selby* thus completely deconstructs Judge Easterbrook’s discussion of circuit precedent in *PracD* by citing *National Car Rental* for the exact opposite proposition that Judge Easterbrook attributed to it. *See supra* note 98 and accompanying text.

¹⁵⁶ *Selby*, 96 F. Supp.2d at 1060.

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

the parties' conduct beyond mere use of Selby's ideas, the rights protected by that contract were equivalent to the exclusive rights protected by the Act [and are thus preempted]."¹⁵⁹

III

THE IMPASSE: THE AMBIGUITY OF "EQUIVALENT" RIGHTS

The above cases set forth two competing visions as to whether courts should preempt claims involving contracts that merely prohibit the defendant from performing acts exclusively reserved to a copyright owner under 17 U.S.C. § 106. The courts essentially disagree over the meaning of § 301 when it states that rights "equivalent" to those within the general scope of copyright "are governed exclusively by this title."¹⁶⁰ This Note contends that neither Judge Easterbrook's approach in *ProCD* nor the *Endemol-Wrench-Selby* approach convincingly vanquishes the other; both approaches present equally compelling interpretations of "equivalent rights" in the context of idea-submission contracts. Thus, contracts that merely forbid the "use" of a plaintiff's ideas create a paradoxical situation: copyright rights and contract rights appear simultaneously equivalent and not equivalent.

A. Statutory Language

The logical starting point for determining the meaning of "equivalent" rights is the statutory provision itself. In relevant part, § 301 states that rights "equivalent to any of the exclusive rights within the general scope of copyright . . . are governed exclusively by [the Act]."¹⁶¹ But what rights are "equivalent"? Like Judge Easterbrook, one can argue persuasively that contract rights and copyright rights are simply not "equivalent" as the term is commonly understood. Copyrights are "right[s] against the world" that bind strangers and acquaintances alike in the absence of any legal relationship.¹⁶² In contrast, contract rights only bind those who actively choose to enter into an agreement.¹⁶³ Approached this way, contracts and copyright rights are not "equivalent," and the statute does not call for preemption.

¹⁵⁹ *Id.* at 1062. Interestingly, the *Selby* court expressly rejected the plaintiff's suggestion that its holding would signal the "death knell to idea submission cases." *Id.* at 1062 n.8 (quoting the plaintiff's opposition brief). The court explained that parties could enter into "[a]n idea submission contract [which] could create rights that are qualitatively different from the rights protected by the Copyright Act" if they inserted a confidentiality provision. *Id.*

¹⁶⁰ 17 U.S.C. § 301(a) (1994).

¹⁶¹ *Id.*

¹⁶² *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1454 (7th Cir. 1996).

¹⁶³ *Id.*

But an “equivalent” right might also refer to a plaintiff’s right to redress for certain conduct regardless of the context, either in tort or contract. If the plaintiff has the right to forbid a certain action, the statute is arguably indifferent to the source of that right. Furthermore, as the *Selby* court points out, the distinction between a contract right and a copyright right blurs as the substance of the contractual obligation approaches the substance of the statutory grant of rights.¹⁶⁴ However, because the statute only speaks of preemption of “equivalent” rights and does not explain exactly what “equivalent” means,¹⁶⁵ there is no persuasive statutory argument for choosing one of these interpretations over the other.

B. House Report 1476 and Legislative History

Absent clarity on the face of the statute, one might examine the House Report accompanying the 1976 revisions to the Act¹⁶⁶ and the statute’s legislative history for guidance. The House Report seems to support Judge Easterbrook’s argument that contract rights are not equivalent to copyright rights when it states that “[n]othing in the bill derogates from the rights of parties to contract with each other and to sue for breaches of contract.”¹⁶⁷ However, this statement is not dispositive of whether a particular contract claim is “equivalent” to a copyright claim; Congress might have included this language merely to alleviate anxiety about enforcement of licensing agreements.

The statutory provision’s history further complicates the interpretive dilemma. The first version of § 301(b)(3) expressly listed misappropriation, breach of contract, breach of trust, trespass, conversion, invasion of privacy, defamation, and deceptive trade practices as claims that should survive preemption.¹⁶⁸ The Justice Department objected to the inclusion of misappropriation in this list, and Congress subsequently deleted the *entire* list.¹⁶⁹ While logically this deletion cannot mean that Congress wanted § 301 to preempt all contract claims regarding intellectual property,¹⁷⁰ the context surrounding its

¹⁶⁴ See *Selby*, 96 F. Supp. 2d at 1060.

¹⁶⁵ 17 U.S.C. § 301(a).

¹⁶⁶ H.R. REP. NO. 94-1476 (1976), reprinted in 1976 U.S.C.C.A.N. 5659.

¹⁶⁷ *Id.* at 132, reprinted in 1976 U.S.C.C.A.N. at 5748.

¹⁶⁸ *Id.* at 24 (not reprinted in U.S.C.C.A.N.) (showing a copy of the bill as originally written); see also NIMMER & NIMMER, *supra* note 1, § 1.01[B][1][f][i] & n.175 (discussing § 301(b)(3) as originally drafted).

¹⁶⁹ See NIMMER & NIMMER, *supra* note 1, § 1.01[B][1][f][i]; O’Rourke, *supra* note 35, at 517-18.

¹⁷⁰ The court in *Wolff v. Institute of Electrical & Electronics Engineers, Inc.*, 768 F. Supp. 66 (S.D.N.Y. 1991), took the position that because Congress deleted the “safe harbor” for breach of contract claims created in the first version of the bill, there was a presumption that Congress intended these claims to be preempted. *Id.* at 69. Professor Nimmer soundly rejects this argument. See NIMMER & NIMMER, *supra* note 1, § 1.01 [B][1][a].

deletion might suggest that Congress intended to eschew absolute rules *against* preemption.¹⁷¹ Congress might have intended to grant courts discretion to make ad hoc determinations of what state law claims should survive preemption, rather than providing a conclusive list. After all, if Congress only wanted to alleviate the Justice Department's concern with misappropriation claims, then it could have deleted only this cause of action, leaving the other examples, including breach of contract, intact.

On the other hand, one could convincingly argue the opposite position. As Professor O'Rourke points out, "both the original inclusion of breach of contract as an example of a cause of action that would survive preemption and the reason for deletion of the list of examples suggest that Congress did not intend, as a general rule, to preempt breach of contract actions under the Act."¹⁷² Frustratingly, even Professor O'Rourke limits her assertion by inserting the phrase "as a general rule,"¹⁷³ leaving the possibility that Congress may have intended to preempt *some* contract claims. Accordingly, the legislative history and House Report provide no substantial guidance in determining whether courts should preempt implied-in-fact contract claims regarding idea submissions.

C. Conceptual and Practical Arguments

Leaving behind statutory analysis, one might attempt to resolve the issue by ruminating on the conceptual nature of contract rights and copyright rights. On this level, Judge Easterbrook's argument in *ProCD* that "[a] copyright is a right against the world" and that "[c]ontracts, by contrast, generally affect only their parties; strangers may do as they please, so contracts do not create 'exclusive rights'"¹⁷⁴ is very persuasive. Occam's razor¹⁷⁵ suggests adoption of this ap-

¹⁷¹ Cf. NIMMER & NIMMER, *supra* note 1, § 1.01[B][1][f][i] n.177 ("Although the Justice Department letter objected mainly to the reference to 'misappropriation,' it also suggested deletion of the other listed causes of action in § 301(b)(3) on the ground that they too 'may be construed' to negate pre-emption.").

¹⁷² O'Rourke, *supra* note 35, at 518.

¹⁷³ *Id.*

¹⁷⁴ *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1454 (7th Cir. 1996).

¹⁷⁵ Occam's razor, or Ockham's razor, is a philosophic methodology which counsels that, when confronted with two equally probable solutions, the simpler and more direct solution is always preferable. Cf. WEBSTER'S THIRD INTERNATIONAL DICTIONARY 1561 (1986) (defining the term "Ockham's razor" as "the philosophic rule that entities should not be multiplied unnecessarily"). Occam's razor is also a general call for simplification of a matter. Courts have adopted this methodology in both its senses. See, e.g., *Chauffeurs, Teamsters & Helpers Local No. 391 v. Terry*, 494 U.S. 558, 575 (1990) (Brennan, J., concurring in part and concurring in the judgment) ("[T]here remains little purpose to our rattling through dusty attics of ancient writs. The time has come to borrow William of Occam's razor and sever this portion of our analysis."); *United States v. Navarro-Camacho*, 186 F.3d 701, 708 (6th Cir. 1999) ("Occam's Razor also supports the magistrate judge's decision.

proach; the contrary approach—looking past the contract itself to the breaching action to determine equivalency—is both more complicated and less intuitive because it requires courts to suppress the obvious existence of a contractual relationship.

But on a *practical* level, good reasons exist to ignore the contractual obligation when identifying an extra element. First, courts may often suspect that a plaintiff is merely fabricating a “contract” in order to circumvent the limitations of copyright law, especially in the context of idea submissions, when an infringement claim will probably be unavailable or unhelpful.¹⁷⁶ This suspicion may be especially keen in the case of implied-in-fact, rather than express, contracts. Second, because of the substance of the contractual obligation in question—to pay for an idea if used—courts may be inclined to view these contracts as creating only tort-like obligations. The statement “I promise not to use your idea without paying you,” which might be the proper subject of a contract action, is substantially similar to the statement, “I will not steal your idea,” which might be the proper subject of a tort (i.e., infringement) or unjust enrichment claim. Finally, the actual bargaining process or nature of assent in some contractual situations may be quite minimal, thus deflating conceptual arguments positing a fundamental difference between copyright rights and contract rights based on the active participation (or lack thereof) of the legally bound parties.¹⁷⁷

The conspiratorial theory offered by Navarro simply does not make much sense.”); *Diaz v. Fort Wayne Foundry Corp.*, 131 F.3d 711, 712 (7th Cir. 1997) (“That is how the district judge proceeded in *Diaz*’s case, which implies that it is best to take Occam’s Razor and slice off unnecessary steps and proceed directly to the question whether the evidence would permit a rational trier of fact to conclude that the statute has been violated.”).

¹⁷⁶ *Cf.* 17 U.S.C. § 102(b) (1994) (“In no case does copyright protection for an original work of authorship extend to any idea . . . regardless of the form in which it is described, explained, illustrated, or embodied in such work.”); *supra* note 3 and accompanying text (discussing the problems faced by an idea-person because of the idea/expression dichotomy); *cf. also, e.g.*, *Markogianis v. Burger King Corp.*, No. 95 CIV. 4627 (JFK), 1997 WL 167113, at *5-6 (S.D.N.Y. Apr. 8, 1997) (expressing concern that “[p]laintiffs attempt to differentiate their claim by couching it as one for a breach of an implied-in-fact contract to pay for the value of the [p]laintiff’s ideas” and concluding that “[p]laintiffs have not adequately pleaded an implied-in-fact contract”).

¹⁷⁷ This point becomes clear in the shrinkwrap license context. Consummation of a binding shrinkwrap license requires a lower level of assent than a traditional arm’s length bargaining process. *See Niva Elkin-Koren, Copyright Policy and the Limits of Freedom of Contract*, 12 BERKELEY TECH. L.J. 93, 110 (1997). Furthermore, because software proprietors that make use of shrinkwrap licenses generally enjoy copyright protection for their expressive material, they can basically deny all access to expressive material if a consumer refuses to agree to the shrinkwrap license. *Id.* With shrinkwrap licenses requiring a lower standard of assent and their proprietors being able to deny access to all those who will not contract with them, the contract right begins to look a lot like a “right against the world,” especially when every copy of a piece of expressive material is accompanied by a shrinkwrap license.

Because the former arguments function on a conceptual level and the latter arguments function on a practical level, neither wholly refutes the other nor satisfactorily explains what Congress intended when it stated that § 301 preempts "equivalent" rights.¹⁷⁸

D. Shortcomings of Both Approaches

Finally, both approaches suffer (relatively) equally from shortcomings that make them less convincing. As noted above, Judge Easterbrook's mischaracterization of circuit court precedent undermines his approach.¹⁷⁹ Close examination of the *Endemol-Wrench-Selby* line reveals trouble spots as well.

Both *Endemol* and *Wrench* (and *Selby* because it relies on these two cases) make suspect use of precedent and scholarly authority. Both cases hinge on the assertion, stated in *Wrench* in language borrowed from the Ninth Circuit, that "[a] promise not to use another's ideas and concepts without paying for them 'is equivalent to the protection provided by section 106 of the Copyright Act.'"¹⁸⁰ In *Del Madera Properties v. Rhodes & Gardner, Inc.*,¹⁸¹ Judge Thompson of the Ninth Circuit wrote, "an implied promise not to use or copy materials within the subject matter of copyright is equivalent to the protection provided by section 106 of the Copyright Act."¹⁸² But Judge Thompson made this statement in the context of dismissing an *unjust enrichment* claim, not, as would be appropriate in the *Wrench* context, an *implied-in-fact contract* claim.¹⁸³ The "implied promise" that is "equivalent to the protection provided by section 106" in the Ninth Circuit's language is a promise *implied by law* to avoid unjust enrichment, not a bona fide promise requiring mutual assent.¹⁸⁴

¹⁷⁸ 17 U.S.C. § 301(a) (1994).

¹⁷⁹ See *supra* notes 139-43 and accompanying text (discussing the critique by the *Wrench* court and David Nimmer of Judge Easterbrook's characterization of *National Car Rental, Taquino*, and *Acorn*).

¹⁸⁰ *Wrench LLC v. Taco Bell Corp.*, 51 F. Supp. 2d 840, 853 (W.D. Mich. 1999) (quoting *Del Madera Props. v. Rhodes & Gardner, Inc.*, 820 F.2d 973, 977 (9th Cir. 1987)); see also *Endemol Entm't B.V. v. Twentieth Television, Inc.*, 48 U.S.P.Q.2d 1524, 1528 (C.D. Cal. 1998) ("Plaintiff's breach of implied contract claim falls squarely into the category of contract claims that allege no additional rights other than promising not to benefit from the copyrighted work.").

¹⁸¹ 820 F.2d 973 (9th Cir. 1987).

¹⁸² *Id.* at 977.

¹⁸³ See *id.*

¹⁸⁴ Implied-in-fact contracts and implied-in-law contracts (sometimes called quasi-contracts) are conceptually and practically distinct. Implied-in-fact contracts are similar to express contracts because both require the contracting parties' mutual assent to an agreement. See 1 ARTHUR LINTON CORBIN, CORBIN ON CONTRACTS § 1.19, at 55-57 (West rev. ed. 1993); see also ROBERT S. SUMMERS & ROBERT A. HILLMAN, CONTRACT AND RELATED OBLIGATION: THEORY, DOCTRINE, AND PRACTICE 142 (3d ed. 1997) ("A contract implied in fact is one kind of enforceable agreement with consideration—one in which the facts of agreement and consideration are based on implication and inference rather than on explicit

On the same point, the *Endemol* court misquotes scholarly authority. First, the *Endemol* court writes, "even those who assert that contract claims generally are not preempted have made explicit exceptions in the case of implied contracts."¹⁸⁵ The court supports this statement by citing Nimmer's treatise; the court's parenthetical reads, "noting 'contract causes of actions are not typically preempted,' but that implied contracts *as a species of quasi contract* 'should be regarded as an "equivalent right" and pre-empted insofar as it applies to copyright subject matter."¹⁸⁶ Here, the *Endemol* court incorrectly quotes out of Nimmer's section on unjust enrichment, in which Nimmer writes, "[f]or similar reasons, a state law cause of action for unjust enrichment or quasi contract should be regarded as an 'equivalent right' and hence, pre-empted."¹⁸⁷ Far from endorsing the use of unjust enrichment logic for analyzing implied-in-fact contract claims, Nimmer cautions: "In idea cases it is most important that both the attorneys and the court distinguish between an implied contract [i.e., an implied-in-fact contract] and a quasi contract since, as will be seen, recovery may often be had under one theory and not under the other."¹⁸⁸

Thus, both Judge Easterbrook's approach and the *Endemol-Wrench-Selby* approach suffer from shortcomings that undermine the force of their arguments. These shortcomings are indicative of the difficult conceptual task facing judges forced to determine whether contract rights and copyright rights are equivalent when the contract in question only forbids actions reserved to the copyright holder under 17 U.S.C. § 106.

assent as in an express contract."). The only difference is that "[c]ontracts are express when their terms are stated by the parties" and "[c]ontracts are implied when their terms are not so terms." 1 SAMUEL WILLISTON, *THE LAW OF CONTRACTS* § 3, at 3 (1924); *see also* 1 E. ALLAN FARNSWORTH, *FARNSWORTH ON CONTRACTS* § 3.10, at 234-35 (2d ed. 1998) ("Sometimes a contract that results from words is described as 'express,' while one that results from conduct is described as 'implied in fact,' but the distinction as such has no legal consequences.").

In contrast, an implied-in-law contract is not a true contract, but rather an obligation imposed by law to avoid unjust enrichment, which may be imposed "without any expression of assent and sometimes even against a clear expression of dissent." 1 CORBIN, *supra*, § 1.20, at 64; *see also* *Bloomgarden v. Coyer*, 479 F.2d 201, 208 (D.C. Cir. 1973) ("A quasi-contract, on the other hand, is not a contract at all, but a duty thrust under certain conditions upon one party to require another in order to avoid the former's unjust enrichment."). As a practical matter, courts may often refer to an action involving a contract implied-in-law as an "unjust enrichment" claim or a claim "in restitution." *See* 1 Corbin, *supra*, § 1.20, at 63.

¹⁸⁵ *Endemol Entm't B.V. v. Twentieth Television Inc.*, 48 U.S.P.Q.2d 1524, 1528 (C.D. Cal. 1998).

¹⁸⁶ *Id.* (emphasis added) (quoting MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 1.01[B][1][g] (1997)).

¹⁸⁷ NIMMER & NIMMER, *supra* note 1, § 1.01[B][1][g] (footnotes omitted).

¹⁸⁸ *Id.* § 16.03.

E. Resolving the Impasse

Neither Judge Easterbrook's approach nor the *Endemol-Wrench-Selby* approach fully explains whether contract rights and copyright rights are "equivalent" when a contract merely forbids acts of reproduction, performance, distribution, display, or creation of derivative works. Both present colorable interpretations of "equivalent" rights, but neither can explain away the other's position. Thus, contractual obligations to pay for an idea if used create a logical impasse in the application of § 301: the contractual relationship always provides an extra element, but that extra element may be qualitatively unimportant. The statutory provision itself and its legislative history provide little or no guidance.

Courts can resolve this impasse, however, by remembering that Congress passed the preemption provision to ensure that copyright law "would be . . . more effective in carrying out the basic constitutional aims of uniformity and the promotion of writing and scholarship,"¹⁸⁹ and "to avoid the development of any vague borderline areas between State and Federal protection,"¹⁹⁰ which are essentially policy concerns. Accordingly, courts should incorporate matters of copyright policy into their § 301 preemption analysis in order to reach a result that better approximates congressional intent and vindicates the underlying purposes of the Act. Part IV of this Note outlines a policy-driven contract preemption analysis that would help to maintain the "delicate balance" of copyright law.

IV

DERIVING GUIDANCE FROM THE DELICATE BALANCE OF COPYRIGHT LAW

To ensure that copyright policy informs a court's initial decision *not* to preempt a contract claim, policy concerns should guide courts in their § 301 preemption analysis.¹⁹¹ This Note explained above the ambiguity of the term "equivalent" rights in deciding whether or not courts should preempt a contract to pay for an idea if it is used.¹⁹²

¹⁸⁹ H.R. REP. NO. 94-1476, at 129 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5745.

¹⁹⁰ *Id.* at 130, *reprinted in* 1976 U.S.C.C.A.N. at 5746.

¹⁹¹ Although one instinctively associates policy analysis with questions of constitutional dimensions, this Note proposes policy analysis for courts to apply at the statutory stage of their preemption analysis. *See supra* note 35 (discussing the two-tiered nature of preemption analysis). This Note makes this recommendation because, if a court preempts a contract claim on statutory grounds, then it will not reach constitutional preemption analysis at all. Thus, constitutional preemption analysis plays no role in the *initial* determination of which claims should *not* be preempted. Because of the impasse at the statutory stage of § 301 analysis, courts need policy guidance early on in the inquiry.

¹⁹² *See supra* Part III.

Because of this ambiguity, this Note argues that it is permissible¹⁹³ and indeed beneficial for courts to consider matters of policy in their application of § 301.

This Note suggests the following policy-driven analysis for § 301: when faced with a claim involving a contract that merely forbids performance of an act reserved exclusively to the copyright holder under 17 U.S.C. § 106, courts should take steps to avoid upsetting the delicate balance of federal copyright law. The delicate balance of copyright law is upset when a contract purports to remove public rights under copyright law—such as the right to make use of uncopyrightable facts and ideas—while the proponent of the contract simultaneously takes advantage of copyright's economic incentive system by injecting the item covered by the contract into the stream of commerce. When the delicate balance is upset, courts should preempt the contract claim; when the delicate balance is intact, courts should enforce the contract if it is adequately pled and proved. Under this analysis, many idea-submission contract claims, including the claim in *Selby*, should avoid preemption because they involve undisclosed ideas contained in unexploited media of expression. However, under this analysis, copyright law would preempt the contract claims involved in *ProCD*¹⁹⁴ and *Wrench*.¹⁹⁵

A. The Delicate Balance of Copyright Law

Copyright policy has its root in and derives its principal goal from the constitutional grant of power to Congress “[t]o promote the [p]rogress of [s]cience and useful [a]rts, by securing for limited [t]imes to [a]uthors and [i]nventors the exclusive [r]ight to their respective [w]ritings and [d]iscoveries.”¹⁹⁶ In other words, copyright law seeks promotion of the public good through a proliferation of works of art, music, literature, film, and science, so that the public may enjoy and learn from existing works and also create new, different, and improved works.¹⁹⁷

¹⁹³ Cf. *Watkins v. Cantrell*, 736 F.2d 933, 944 (4th Cir. 1984) (recognizing “as a canon of statutory interpretation the principle that when ‘neither legislative history nor administrative interpretation sheds clear light on the meaning of an ambiguous statute, a court is bound only to render a decision that is reasonable in light of the overall policy of the legislation under consideration’” (quoting *Anderson v. Babb*, 632 F.2d 300, 308 (4th Cir. 1980))).

¹⁹⁴ See *infra* notes 226-32. This Note includes analysis of *ProCD* under its policy framework for the sake of illustration, *not* because it involved a contract to pay for an idea if used.

¹⁹⁵ See *infra* notes 245-48 and accompanying text.

¹⁹⁶ U.S. CONST. art. I, § 8, cl. 8.

¹⁹⁷ See *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 527 (1994) (“[C]opyright law ultimately serves the purpose of enriching the general public through access to creative works.”); *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (“Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of pro-

Courts and commentators have explained that copyright law achieves its goal of furthering learning and knowledge through a delicate balance between economic incentives for the creator-author of a work and maintenance of the free flow of ideas for the public.¹⁹⁸ This Note envisions copyright policy as a balancing scale: on one side is the creator-author and on the other side is the public. Copyright policy seeks to grant the public as much benefit as possible in the form of new ideas and works of authorship; however, maximizing public benefit depends on giving something back to the creator-author. As Professor Karjala writes, the outcome of this balancing, at least in theory, is that the public, the creator-authors, and the creator-authors' competitors are all better off: "By honing these balances as carefully as possible, courts attempt to optimize control and return to past authors, create a nurturing environment for future authors, and assure a good supply of desirable works for consumers."¹⁹⁹

B. The Creator-Author's Side: The Incentive System

Copyright law uses an economic incentive system to place weight on the creator-author's side of the balancing scale. This incentive system gives authors a limited monopoly in the particular expression of their work in order to make the creative process economically worth-

moting broad public availability of literature, music, and the other arts."), *superseded by statute as stated in* *Broad. Music, Inc. v. Claire's Boutiques, Inc.*, 949 F.2d 1482 (7th Cir. 1991); 1 PAUL GOLDSTEIN, *COPYRIGHT: PRINCIPLES, LAW AND PRACTICE* § 1.1 (1989) (stating that copyright law seeks "to encourage the widest possible production and dissemination of literary, musical and artistic works"); *see also* Robert A. Kreiss, *Accessibility and Commercialization in Copyright Theory*, 43 *UCLA L. REV.* 1, 4 (1995) (explaining that "[i]f works are not accessible, neither the public nor competing authors will get the benefit of these new works," that "[b]enefit to the public is important because the basic purpose of copyright law is to advance learning and knowledge," and that "[b]enefit to competing authors is equally important because the authors produce competing works that allow the public a choice of views and expressions of each kind of work, thus leading to further advances in public learning and knowledge").

¹⁹⁸ *See, e.g.*, *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984) (pointing out that congressional enactment of intellectual property legislation "involves a difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand"), *superseded by statute as stated in* *Universal City Studios, Inc. v. Reimerdes*, 111 F. Supp. 2d 294 (S.D.N.Y. 2000); *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 696 (2d Cir. 1992) ("[C]opyright law seeks to establish a delicate equilibrium. On the one hand, it affords protection to authors as an incentive to create, and, on the other, it must appropriately limit the extent of that protection so as to avoid the effects of monopolistic stagnation."); Elkin-Koren, *supra* note 177, at 100 ("[C]opyright law seeks to balance the level of incentives to create and the interest in maximizing access to information once created. Finding the correct balance between access and incentives is the central task of copyright policy."); Kreiss, *supra* note 197, at 4 ("To function properly, copyright law must strike a balance between the rights given to copyright authors and the access given to copyright users.").

¹⁹⁹ Karjala, *supra* note 3, at 518.

while.²⁰⁰ Section 106 of the Copyright Act gives to the creator-author the exclusive right, subject to express statutory limitations, to do or authorize others to do certain enumerated actions: to reproduce, distribute, perform, display, and to create derivative works based upon the copyrighted work.²⁰¹

As Professor Kreiss points out, these rights involve making money from the expressive work, and the exclusivity of the rights “enable[] the author to prevent others from engaging in these money-making acts, thereby reserving to the author the ability to gain the economic rewards from the work.”²⁰² Kreiss further points out that when a creator-author “commercializes” her work²⁰³ and attempts to make money from reproduction, public distribution, public performance, or public display of her work or derivative works, “we should treat the author as having sought the economic benefits of copyright law.”²⁰⁴ For purposes of this Note’s proposed preemption analysis, when creator-authors commercialize their work, they enter into copyright law’s incentive system²⁰⁵ and accordingly owe certain rights to the public in order to maintain the requisite balance.

²⁰⁰ See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 558 (1985) (“By establishing a marketable right to the use of one’s expression, copyright supplies the economic incentive to create and disseminate ideas.”); Kreiss, *supra* note 197, at 4-5. Another commentator explains the economic incentive system as a means of overcoming a “public goods problem.” O’Rourke, *supra* note 35, at 483-84.

²⁰¹ 17 U.S.C. § 106 (1994 & Supp. IV 1998).

²⁰² Kreiss, *supra* note 197, at 14.

²⁰³ Kreiss defines the term “commercialization” as

doing, in a commercial or public setting, any of the acts that are reserved exclusively to the copyright owner by the Copyright Act under 17 U.S.C. § 106 and that would be copyright infringement if done by another without authority of the copyright owner, whether these acts are done for profit or not; except that the sale of the original copy of a work is not, in and of itself, a commercialization.

Id. at 15 (citation omitted).

“Commercialization” may often overlap with “publication” of a work, but Kreiss points out that a work may be commercialized without being published: an example being the source code of computer programs. *Id.* at 25. Kreiss argues that “commercialization” is a better term than publication because it “more accurately captures the stage at which an author attempts to exploit the copyright.” *Id.* For purposes of this Note, the key aspect of Kreiss’s definition of commercialization is that it occurs in a “commercial or public setting,” *id.* at 15, because one obvious difference between shrinkwrap licenses and most idea contracts is that shrinkwrap licenses accompany a widely-distributed product, whereas idea contracts often concern as yet inaccessible and undisclosed material. The reader should note that Professor Kreiss considers commercialization to exist “when an author of a screenplay authorizes the creation of a movie based on the screenplay.” *Id.* at 18. Thus, the typical screenwriter making an idea submission does not commercialize her work because she does not authorize the creation of a movie based on the idea, but merely agrees to disclose the idea in return for remuneration should the recipient choose to use the idea.

²⁰⁴ *Id.* at 19.

²⁰⁵ See *id.*

C. The Public's Side: Inherent Limitations on the Copyright Monopoly

Copyright law also puts weight on the public's side of the balancing scale to limit the author's copyright rights and "to avoid the effects of monopolistic stagnation."²⁰⁶ In order to maintain the metaphor of the balancing scale, one may think of each of the limitations placed on the creator-author's rights as actually being positive rights held (in a bundle) by the public—the public's copyright rights.²⁰⁷ These rights consist of limitations on the time a copyright owner enjoys exclusive rights, limitations on what actions will infringe on the copyright owner's exclusive rights, and limitations on what aspects of a creative work the exclusive rights protect in the first place.

First, as the Constitution mandates,²⁰⁸ copyright's monopoly is limited in duration, usually to the creator-author's life plus seventy years.²⁰⁹ Quite simply, this limitation promotes public access to information and expressive material because it ensures that eventually the creator-author of a work of authorship (or more accurately the creator-author's successors in interest) will have no exclusive rights at all.

Second, the doctrine of fair use limits the exclusive rights of copyright owners by granting to the public the privilege of using copyrighted material in a reasonable manner without the copyright owner's consent.²¹⁰ Fair use allows the public (subject to judicial bal-

²⁰⁶ *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 696 (2d Cir. 1992).

²⁰⁷ It is helpful to think of copyright law as giving the public something positive to put weight on their side of the scale, rather than imagining that the balance derives merely from taking rights away from creator-authors.

²⁰⁸ See U.S. CONST. art. I, § 8, cl. 8 (granting to authors the exclusive rights to their writings and discoveries for "limited [t]imes").

²⁰⁹ 17 U.S.C. § 302(a) (Supp. IV 1998) (setting the duration of copyright for works created on or after January 1, 1978). For a more detailed discussion of the duration of copyright protection, including duration for works made for hire, anonymous works, pseudonymous works, and works originally created and published or registered prior to January 1, 1978, see U.S. COPYRIGHT OFFICE, *COPYRIGHT BASICS 5-6* (2000) [hereinafter *COPYRIGHT BASICS*], available at <http://www.loc.gov/copyright/circs/circI.html>.

²¹⁰ See *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 547 & n.2, 549-60 (1985). As the Court in *Harper & Row* points out, § 107 of the 1976 Copyright Act codified the previous common law doctrine. *Id.* at 549; see also 17 U.S.C. § 107 (1994) ("[T]he fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means . . . for purposes such as criticism, comment, news reporting, teaching, . . . scholarship, or research, is not an infringement of copyright."). The statutory provision provides four nonexclusive elements for courts to consider in deciding whether a use is "fair" or not:

- (1) the purpose of character and the use, including whether such use is [for profit or not];
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

ancing of the four § 107 factors)²¹¹ to reproduce a creator-author's expressive material for purposes of research, scholarship, book reviews, parody, news reports, teaching,²¹² and even for making recordings of television programs for viewing at a later time.²¹³ This public copyright right promotes public access to information and the creation of new, different, and perhaps better works.²¹⁴

The third (and most important for our topic) public copyright right is the right to use uncopyrightable facts and ideas.²¹⁵ As Justice O'Connor explained in *Feist Publications, Inc. v. Rural Telephone Service Co.*,²¹⁶

[t]o this end [of promoting the progress of science and the useful arts], copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work This principle, known as the idea/expression or fact/expression dichotomy, applies to all works of authorship.²¹⁷

Id.

²¹¹ See generally *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577-78 (1994) (recognizing that the fair use doctrine "calls for case-by-case analysis," and that the statutory factors must be "weighed together, in light of the purposes of copyright").

²¹² H.R. REP. NO. 94-1476, at 65 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5678-79. The Report specifies that the enumerated list is "by no means exhaustive." *Id.*, reprinted in 1976 U.S.C.C.A.N. at 5678.

²¹³ See *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 454-55 (1984), superseded by statute as stated in *Universal City Studios, Inc. v. Reimerdes*, 111 F. Supp. 2d 294 (S.D.N.Y. 2000).

²¹⁴ See HORACE G. BALL, THE LAW OF COPYRIGHT AND LITERARY PROPERTY § 125, at 260 (1944) ("[T]he author's consent to a reasonable use of his copyrighted works has always been implied by the courts as a necessary incident of the constitutional policy of promoting the progress of science and useful arts, since a prohibition of such use would inhibit subsequent writers from attempting to improve upon prior works.").

²¹⁵ See *Harper & Row*, 471 U.S. at 547-48. The Court first noted: "[N]o author may copyright facts or ideas The copyright is limited to those aspects of the work—termed "expression"—that display the stamp of the author's originality." *Id.* at 547 (citation omitted). The Court then continued: "[C]opyright does not prevent subsequent users from copying from a prior author's work those constituent elements that are not original—for example, . . . facts, or materials in the public domain—as long as such use does not unfairly appropriate the author's original contributions." *Id.* at 548.

²¹⁶ 499 U.S. 340 (1991).

²¹⁷ *Id.* at 349-50 (citation omitted). The idea/expression dichotomy is codified in § 102(b) of the Copyright Act, which states: "In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work." 17 U.S.C. § 102(b) (1994). House Report 1476 explains that Congress intended to leave intact previous understandings of the idea/expression dichotomy. See H.R. REP. NO. 94-1476, at 57 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5670 ("Section 102(b) in no way enlarges or contracts the scope of copyright protection under the present law. Its purpose is to restate, in the context of the new single Federal system of copyright, that the basic dichotomy between expression and idea remains unchanged."). Accordingly, the public may (at least with respect to copyright law) copy an idea found in a book, newspaper article, film, or computer program. This

The idea/expression and fact/expression dichotomies severely limit the creator-author's bundle of copyright rights and greatly expand the public's bundle of copyright rights in hopes of promoting access to information and stimulation of new works.²¹⁸ The benefit to the public is clear:

The idea/expression distinction of copyright is crucial to the optimal advance of culture. We refuse to protect ideas under copyright not because ideas show no intellectual creativity. Many ideas are in fact highly creative (think of the theory of relativity—first announced in a clearly copyright-protected work). Rather, we do not protect ideas because to do so would not provide an incentive to creation that would outweigh the harm resulting from tying up so many cultural building blocks. Even if 99 purchasers out of 100 never have any intention whatsoever of using the work for anything other than their own reading or consumption pleasure, the use by that 100th purchaser of the work as a starting point for an improved theory is crucial to cultural progress.²¹⁹

Along with the limited duration of exclusive rights and the doctrine of fair use, these dichotomies define the outer limits of the creator-author's copyright rights and help maintain the delicate balance of copyright law.

D. Maintaining the Quid Pro Quo: Application of the Delicate Balance to Contract Preemption Analysis

The delicate balance of copyright law entails trade-offs between the rights of creator-authors and the rights of the public; both sides benefit from copyright law and both sides make sacrifices because of copyright law. The creator-author gains exclusive rights to (and the right to authorize others to) reproduce, distribute, perform, display,

gap in copyright protection makes necessary the question of contractual protection for ideas in the first place.

The fact/expression dichotomy derives from the constitutional requirement of originality. See *Feist Publications*, 499 U.S. at 346. Originality only requires that "the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity." *Id.* at 345. However, because facts are not "independently created by the author," *id.*, they "are not original and therefore may not be copyrighted," *id.* at 350. Accordingly, this dichotomy frees the public to use facts contained in creator-authors' works of authorship for whatever purposes imaginable.

²¹⁸ Copyright law places other limitations on creator-authors' copyright rights by excluding from protection other categories of material, such as "[t]itles, names, short phrases, and slogans," "mere variations of typographic ornamentation, lettering, or coloring," "inere listings of ingredients or contents," and "[w]orks consisting entirely of information that is common property and containing no original authorship (for example: standard calendars, height and weight charts, tape measures and rulers, and lists or tables taken from public documents or other common sources)." COPYRIGHT BASICS, *supra* note 209, at 3 (emphasis omitted).

²¹⁹ Karjala, *supra* note 3, at 520-21.

or create derivative works from her particular expression,²²⁰ and thereby makes money from her creation.²²¹ But the creator-author also gives up the right to prevent others from exploiting the ideas and facts contained within that expression²²² and the right to prohibit others from making fair use of the expression itself.²²³ The public's benefits and sacrifices are just the reverse. As one commentator explains, the delicate balance of copyright is a "quid pro quo."²²⁴

The essential policy question in this Note's proposed contract preemption analysis, then, is whether a particular contract upsets this quid pro quo and thus merits preemption. Several commentators have suggested that shrinkwrap licenses that attempt to expand the creator-author's copyright rights upset the delicate balance of copyright law and should be preempted.²²⁵

*ProCD, Inc. v. Zeidenberg*²²⁶ provides a good example of how shrinkwrap licenses may upset the delicate balance of copyright law. The shrinkwrap license in *ProCD* forbade users of the plaintiff's CD-ROM database from making the software and telephone listings contained in the database available to other users.²²⁷ The defendants violated the shrinkwrap license by uploading the telephone listings to their own computer, combining the listings with their own search engine, and making the listings available over the Internet.²²⁸ As facts, these listings were uncopyrightable, as the Supreme Court made clear in *Feist Publications, Inc. v. Rural Telephone Service Co.*,²²⁹ and thus the defendants should have been free to exploit them.

ProCD, the creator-author of the database, had commercialized its work of authorship by widely distributing it to the public for remu-

²²⁰ 17 U.S.C. § 106 (1994 & Supp. IV 1998).

²²¹ See *supra* Part IV.B.

²²² See *supra* notes 215-17 and accompanying text.

²²³ See *supra* notes 210-14 and accompanying text.

²²⁴ Kreiss, *supra* note 197, at 20. Kreiss writes:

In order for the means [namely, the economic incentive system established by copyright law] to further the ends [namely, advancement of learning and knowledge], the copyrighted works must be accessible. When an author commercializes a work, the author gets the economic reward intended by the copyright system. If the work is accessible, the public and competitors get the benefit of being able to study the work's ideas and expression. In this circumstance, there is a quid pro quo. Both sides get the benefit that the copyright system was designed to produce.

Id. (footnotes omitted).

²²⁵ See, e.g., Elkin-Koren, *supra* note 177, at 94; Karjala, *supra* note 3, at 512; Nimmer et al., *supra* note 35, at 23.

²²⁶ 86 F.3d 1447 (7th Cir.), *rev'g* 908 F. Supp. 640 (W.D. Wis. 1996); see *supra* Part II.A.

²²⁷ *ProCD*, 86 F.3d at 1450.

²²⁸ *ProCD*, 908 F. Supp. at 645.

²²⁹ 499 U.S. 340, 351 (1991) ("In no event may copyright extend to the facts themselves.").

neration.²³⁰ ProCD took advantage of the economic incentive provided by copyright law by garnering protection for the particular expression of the listings it had created.²³¹ Yet ProCD's shrinkwrap license purported to deprive the public of its copyright right to make use of facts that are in the public domain.²³² Thus, the shrinkwrap license in *ProCD* toppled copyright's quid pro quo, and the district court reached the correct result in preempting it.

In contrast, many contracts to protect ideas present a different scenario. Consider, for example, the plaintiff screenwriter in *Selby v. New Line Cinema Corp.*²³³ At the time of his alleged agreement with New Line, Selby had conceived of his idea for "Doubletime," written it down, and obtained copyright registration for it, but he had not distributed it to the public.²³⁴ At least for purposes of the motion to dismiss, the court assumed that Selby and New Line had an implied-in-fact agreement that New Line would pay Selby for his ideas if New Line used them to produce a movie based on them.²³⁵ The question is whether this contract offends copyright policy in the same way as the shrinkwrap license discussed above.

There is one important similarity between Selby's contract and a shrinkwrap license. Selby was trying to protect from misappropriation something that copyright law excludes from protection: an idea.²³⁶ Does this mean that enforcing his contract would upset the delicate balance of copyright? The answer is "no" because copyright's quid pro quo remained intact, even if the contract barred New Line from using Selby's idea. Unlike the database provider who sent its expressive material out into the stream of commerce with a shrinkwrap license attached, Selby had not commercialized his work.²³⁷ Selby may have been exercising his exclusive rights by making copies of his work or distributing the work to New Line, but he was *not* doing so in a truly commercial or public setting.²³⁸ Thus he had not garnered the economic benefits provided by copyright's incentive system.²³⁹ It is true that Selby probably wanted to exploit the incentive system of copy-

²³⁰ See *ProCD*, 86 F.3d at 1449-50. That ProCD had commercialized its product is clear from the fact that Zeidenberg purchased his copy of the software at a retail store. See *id.* at 1450. Thus, ProCD had exercised some of the exclusive rights of copyright—namely, reproduction and distribution—and did so in a public or commercial setting. See *supra* note 203 and accompanying text.

²³¹ *ProCD*, 908 F. Supp. at 644.

²³² See *supra* notes 215-17 and accompanying text.

²³³ 96 F. Supp. 2d 1053 (C.D. Cal. 2000); see *supra* Part II.B.3.

²³⁴ *Selby*, 96 F. Supp. 2d at 1054-55.

²³⁵ *Id.* at 1057.

²³⁶ See *supra* notes 1-4, 215-17 and accompanying text.

²³⁷ See *supra* note 230 and accompanying text.

²³⁸ See *supra* note 203 and accompanying text.

²³⁹ See *supra* Part IV.B.

right law, and that if the deal between Selby and New Line had gone through, he would have done so (when New Line made a movie and distributed it to theaters). However, at the point of disclosure, prior to dissemination to the public at large, Selby had gained no economic return from copyright law and owed nothing to the public in order to keep the delicate balance intact.²⁴⁰ The balance was already perfect: Selby made no money from the work (at least no money derived from copyright protection), and the public received no free access to the information.²⁴¹ The public should not have been able to claim any right to exploit Selby's idea because he had not yet sent it out into the stream of commerce.²⁴²

Besides not disrupting the delicate balance of copyright, contracts like Selby's actually promote the ultimate goal of copyright law: the furtherance of learning and knowledge through widespread dissemination of ideas, works, and information to the public.²⁴³ Quite simply, if Selby is allowed to protect an uncopyrightable idea at the time of disclosure, then he will be more willing to disclose it. Furthermore, once Selby has disclosed the idea to New Line, then New Line can make a movie from it. Then, if New Line disseminates the movie, the public would be free to enjoy and exploit the idea as their own because of the idea/expression dichotomy and the delicate balance of

²⁴⁰ See Karjala, *supra* note 3, at 524 (“[Copyright’s public/private quid pro quo] is also in balance when the copyright owner forgoes the economic benefits of widespread distribution and limits access to the work.”). Karjala also explains: “A writer should, for example, be able to enforce an agreement not to use the underlying idea of her unpublished novel or script, if such agreement is a condition to access that is not otherwise available.” *Id.* at 513.

²⁴¹ See Kreiss, *supra* note 197, at 5-6 (“For a work that is not commercialized, the exchange is fair: the public receives no access and hence nothing of value; similarly, the author receives no economic return from a copyrighted work that is not commercialized.”).

²⁴² This Note’s framework makes a critical distinction based on whether a creator-author has commercialized the expressive material that contains the idea in question. This approach is sound because (1) commercialization identifies the point at which a creator-author takes advantage of copyright law’s incentive structure and thus owes something in return, see *supra* Part IV.B.; (2) protecting ideas prior to commercialization is both fair to the creator-author and creates an incentive for the creator-author to make initial disclosures that facilitate eventual commercialization, which in turn leads to increased public access to creative works and ideas, cf. *Desny v. Wilder*, 299 P.2d 257, 265 (Cal. 1956) (“As counsel for the Writers Guild aptly say, ideas ‘are not freely usable by the entertainment media until the latter are made aware of them.’”); McGovern, *supra* note 5, at 505-06 (noting that “[w]hile the idea itself may be free, finding the idea is a service that people are willing to pay for,” that “[l]ike any server, the idea-man provides a means to an end,” and that “[e]ven though the end would ordinarily cost nothing, it should not follow that the means to the end is also free for the taking”); and (3) protecting ideas through contract after commercialization is unfair to the public because all interested parties are not represented in the contracting process, cf. Karjala, *supra* note 3, at 519 (discussing the negative third party effect involved when parties enter into shrinkwrap agreements after commercialization).

²⁴³ See *supra* notes 196-97 and accompanying text.

copyright law.²⁴⁴ On the other hand, if the law refuses contract protection to Selby's idea at the point of its initial disclosure, then he and other authors, screenwriters, and advertising agencies will not feel comfortable disclosing their ideas. After all, in this state of affairs, neither copyright nor contract protects their ideas, and idea-recipients can pilfer them with impunity.

In sum, courts should not preempt claims involving fully-bargained-for contracts to protect ideas formed in the context of the initial disclosure of a previously inaccessible idea, even when the contractually prohibited act is one reserved to the copyright owner under 17 U.S.C. § 106.

As a final variation, consider, for example, the contracts involved in *Wrench LLC v. Taco Bell Corp.*²⁴⁵ and *Endemol Entertainment B.V. v. Twentieth Television Inc.*²⁴⁶ In the case of *Wrench*, this Note's policy analysis suggests that the district court correctly preempted Wrench LLC's implied-in-fact contract claim. At the time of its alleged contract with Taco Bell, Wrench LLC had already commercialized its Psycho Chihuahua materials by injecting Psycho Chihuahua T-shirts and other Psycho Chihuahua merchandise into the stream of commerce.²⁴⁷ In other words, Wrench LLC enjoyed the economic benefit of copyright's incentive system by commercializing its expressive material (or authorizing others to do so in return for money).²⁴⁸ Thus, in order to maintain copyright policy's quid pro quo, Wrench LLC had to submit to limitations on its copyright rights, including the inability to protect underlying ideas.

The *Endemol* situation at first appears similar to that in *Wrench* because the plaintiff had distributed the television show "Forgive Me" in Europe for years before entering into negotiations with Jonathan Goodson.²⁴⁹ However, *Endemol*'s distribution in Europe does not implicate U.S. copyright law's incentive system in the same way as distribution in the United States. The interaction between copyright's delicate balance and foreign distribution of expressive materials is beyond the scope of this Note and would perhaps provide a fruitful avenue for further research.

From the examples discussed above, one can derive a framework for analyzing whether copyright policy demands that courts preempt a particular contract. Courts should look at whether the creator-author

²⁴⁴ See *supra* Part IV.A, C.

²⁴⁵ 51 F. Supp. 2d 840 (W.D. Mich. 1999); see *supra* Part II.B.2.

²⁴⁶ 48 U.S.P.Q.2d 1524 (C.D. Cal. 1998); see *supra* Part II.B.1.

²⁴⁷ *Wrench*, 51 F. Supp. 2d at 842 ("Plaintiffs initially marketed Psycho Chihuahua on a small scale through use on T-shirts and other merchandise. However, by early 1996, Wrench had licensed the rights to produce the apparel to several large manufacturers.")

²⁴⁸ See *id.*

²⁴⁹ *Endemol*, 48 U.S.P.Q.2d at 1524 (typeface altered).

is attempting through contract to displace the public's copyright rights while simultaneously taking advantage of copyright's incentive system by placing his expressive material into the stream of commerce—that is, whether the creator-author has commercialized the relevant expressive material.²⁵⁰ If a creator-author has commercialized the expressive material, then he may not through contract tilt the delicate balance of copyright law by appropriating rights that copyright law grants to the public, such as fair use and the right to exploit uncopyrightable material. Courts should preempt claims involving these one-sided contracts if the defendant breaches the contract by performing an act reserved to the copyright owner under 17 U.S.C. § 106. On the other hand, if the creator-author has not commercialized the work, then copyright policy suggests that he may contract to protect uncopyrightable material, such as ideas or facts, so long as this protection is merely a condition of disclosure (especially when subsequently the expressive material will enter the stream of commerce unfettered by contractual restrictions against public use). Courts should enforce this latter type of contract, even if the defendant breaches the contract by merely performing an act reserved to the copyright owner under § 106.

CONCLUSION

This Note has examined the current state of the law surrounding copyright preemption of contracts to protect ideas, especially when a contract prohibits the idea-recipient from performing an act reserved to a copyright owner under 17 U.S.C. § 106. To alleviate the logical impasse that emerges when courts attempt to determine whether contract rights and copyright rights are “equivalent” within the meaning of 17 U.S.C. § 301, courts should (as part of their § 301 analysis) consider how the particular contract in question interacts with copyright policy. If courts follow this suggestion, then copyright law will be able to further its ultimate goal of promoting “the [p]rogress of [s]cience and useful [a]rts,”²⁵¹ and idea-persons will be able to protect their ideas that are embodied in as yet undisclosed and unexploited expressive materials. Because this protection for undisclosed ideas promotes the confident exchange of ideas, this protection will in turn help society maximize its enjoyment of all the fruits of new ideas by facilitating the cooperative process through which an idea becomes a reality.

²⁵⁰ See *supra* note 203.

²⁵¹ U.S. CONST. art. I, § 8, cl. 8.