

## COPYRIGHT SURVIVES: RETHINKING THE COPYRIGHT- CONTRACT CONFLICT

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*Twenty-one years ago, copyright died. More accurately, it was killed. In 1996, in ProCD v. Zeidenberg, Judge Easterbrook, writing for the Seventh Circuit, held that a contract that restricted the use of factual information was not preempted by the Copyright Act and therefore enforceable. The reaction among copyright scholars was swift and passionate. In dozens of articles and books, spreading over two decades, scholars cautioned that if the ProCD approach is broadly adopted, the results would be dire. Through contracts, the rights of copyright owners would run amok, expand, and in doing so they would invade, shrink, and possibly destroy the public domain. Contracts, we were repeatedly warned throughout the years, would kill copyright law.*

*This Article challenges this scholarly consensus by studying the court opinions that have dealt with the copyright-contract conflict over the past four decades. This examination reveals surprising facts: notwithstanding the scholars' warnings, ProCD's approach won the day and was embraced by most federal circuit courts. The doomsday scenarios scholars warned against, however, did not materialize. The*

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*overall effect of contracts on the size and scope of the public domain, or over copyright law as a whole, seems minimal. The Article explains this discrepancy and shows that contracts are an ineffective tool to control information because they are too weak of a device to threaten or replace copyright law. Indeed, to paraphrase Mark Twain, the reports of the death of copyright were greatly exaggerated. The Article concludes by placing this analysis in context, as part of a broader ongoing discussion on the desirability and enforceability of standard-form agreements.*

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#### INTRODUCTION

THERE is a built-in tension between copyright law and contract law. Ruth buys an eBook. Copyright law governs Ruth's rights in the eBook. Certain actions, such as commercial copying and public performance, are prohibited by copyright law.<sup>1</sup> Other actions, such as reading the eBook, writing a review thereof, and copying the ideas expressed therein, are permitted by copyright law.<sup>2</sup> Enter contract law. What if, as part of the purchasing process of the eBook, Ruth agrees to a standard-form agreement that limits her rights in the eBook? For example, what if the standard-form agreement states that the buyer promises not to copy the ideas expressed in the work? Can Ruth be liable if she copies these ideas? Under copyright law, the answer is, of

<sup>1</sup> 17 U.S.C. § 106 (2012).

<sup>2</sup> *Id.* § 102(b) (“In no case does copyright protection for an original work of authorship extend to any idea . . . .”); *id.* § 107 (providing fair use protection to certain usages including minimal copying); *Arnstein v. Porter*, 154 F.2d 464, 472 (2d Cir. 1946) (“[T]here can be permissible copying, copying which is not illicit.” (citation and internal quotation marks omitted)).

course, no. But can Ruth be liable for a breach of the contract? More generally, is contract law free to set legal norms over information goods? This possibility, and the tension it creates between copyright and contracts, has been troubling many scholars.<sup>3</sup>

The copyright-contract tension is typically discussed under the auspice of copyright preemption doctrine. It is frequently argued that because copyright law is part of federal law and contract law is mostly a creation of the states, contracts over certain information goods, such as software, books, and sound recordings, might be preempted by the Copyright Act. Part I of this Article presents this issue.

Since the passage of the Copyright Act of 1976, such a preemption argument has been discussed in at least 279 court opinions.<sup>4</sup> A review of those opinions reveals a broad consensus among judges regarding certain aspects of the preemption analysis but also a broad disagreement regarding other aspects. With minor exceptions,<sup>5</sup> courts approach the possible conflict between contracts and copyright law by using copyright express preemption doctrine, set forth in Section 301(a) of the Copyright Act. This Section states that “all . . . rights that are equivalent to any of the exclusive rights within the general scope of copyright . . . are governed exclusively by this title.”<sup>6</sup> The difficult question courts have been struggling with is whether and when contractual rights are “equivalent” to “the exclusive rights” under copyright law.

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<sup>3</sup> Dozens of authors have commented on this phenomenon. See, e.g., Margaret J. Radin, *Boilerplate: The Fine Print, Vanishing Rights, and the Rule of Law* 39–50, 168–76 (2013); Yochai Benkler, *Free as the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain*, 74 N.Y.U. L. Rev. 354, 429–35 (1999); Julie E. Cohen, *Copyright and the Perfect Curve*, 53 Vand. L. Rev. 1799, 1801–08 (2000); Richard A. Epstein, *The Disintegration of Intellectual Property? A Classical Liberal Response to a Premature Obituary*, 62 Stan. L. Rev. 455, 495–98 (2010); Michael E. Kenneally, *Commandeering Copyright*, 87 Notre Dame L. Rev. 1179 (2012); Mark A. Lemley, *Beyond Preemption: The Law and Policy of Intellectual Property Licensing*, 87 Calif. L. Rev. 111, 128–33, 147–50 (1999); Orly Lobel, *Enforceability TBD: From Status to Contract in Intellectual Property Law*, 96 B.U. L. Rev. 869, 890–91 (2016); David Nimmer et al., *The Metamorphosis of Contract into Expand*, 87 Calif. L. Rev. 17 (1999); Guy A. Rub, *Contracting Around Copyright: The Uneasy Case for Unbundling of Rights in Creative Works*, 78 U. Chi. L. Rev. 257 (2011).

<sup>4</sup> See *infra* Appendix (listing those opinions and explaining how they were identified).

<sup>5</sup> See *infra* notes 247–52 and accompanying text.

<sup>6</sup> 17 U.S.C. § 301(a) (2012).

Close examination of the case law shows that two main approaches have emerged with respect to the equivalency requirement. The first approach—which is referred to herein as “the facts-specific approach”—suggests that while many contracts over information goods should be enforced, some should not. The court must examine the contract and consider whether it regulates an activity that is an exclusive right, such as reproduction or distribution.<sup>7</sup> If the contract does, then it creates a right that is equivalent to copyright and is therefore expressly preempted by the Copyright Act.<sup>8</sup> This approach is inspired by a well-established narrative in copyright law discourse—the delicate-balance narrative.<sup>9</sup> This narrative perceives copyright law as creating a delicate balance between competing interests: those of authors, distributors, and users. This delicate balance, the argument goes, should be protected against easy alteration by contracts.

The competing approach—which is referred to herein as “the no-preemption approach”—suggests that contracts, as such, are not preempted by the Copyright Act’s express preemption provision.<sup>10</sup> Courts that subscribe to this view hold that because contractual rights—unlike copyright—are *in personam*, and because those rights—again unlike copyright—are contingent on the defendant’s promise, they are different from copyright and therefore not preempted.<sup>11</sup> This approach is also inspired by a well-known narrative within copyright law discourse: the perception of copyright as property.<sup>12</sup> Property rights are typically transferable, and they are the basis of trade.<sup>13</sup> This narrative seems to

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<sup>7</sup> See, e.g., *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 456 (6th Cir. 2001).

<sup>8</sup> *Ritchie v. Williams*, 395 F.3d 283, 287–88 (6th Cir. 2005).

<sup>9</sup> See, e.g., *Kirtsaeng v. John Wiley & Sons*, 136 S. Ct. 1979, 1986 (2016) (explaining that the Copyright Act “strick[es] a balance between two subsidiary aims: encouraging and rewarding authors’ creations while also enabling others to build on that work”); *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417, 429 (1984) (suggesting that in enacting the Copyright Act, Congress’s “task involves a difficult balance between the interests of authors . . . and society’s competing interest”); *infra* notes 119–20.

<sup>10</sup> See, e.g., *Real Estate Innovations v. Hous. Ass’n of Realtors*, 422 F. App’x 344, 349 (5th Cir. 2011); *Utopia Provider Sys. v. Pro-Med Clinical Sys.*, 596 F.3d 1313, 1326–27 (11th Cir. 2010).

<sup>11</sup> See *infra* Subsection I.B.2.a.

<sup>12</sup> See, e.g., Henry E. Smith, *Intellectual Property as Property: Delineating Entitlements in Information*, 116 *Yale L.J.* 1742, 1745–46 (2007); *infra* text accompanying notes 104–06.

<sup>13</sup> See, e.g., *Dr. Miles Med. Co. v. John D. Park & Sons Co.*, 220 U.S. 373, 404 (1911) (“The right of alienation is one of the essential incidents of a right of general property in movables . . . .” (quoting *John D. Park & Sons Co. v. Hartman*, 153 F. 24, 39 (6th Cir.

also be closely related to the libertarian viewpoint and the approach of several law and economics scholars.<sup>14</sup>

The no-preemption approach originated in 1987<sup>15</sup> but became recognized with, and is commonly attributed to, one of the most cited federal circuit court opinions—the 1996 decision of the U.S. Court of Appeals for the Seventh Circuit in *ProCD v. Zeidenberg*.<sup>16</sup> In this decision, Judge Frank Easterbrook concluded that an agreement that limits the use of factual information, which is not protected by copyright,<sup>17</sup> is not preempted and is fully enforceable.<sup>18</sup>

The reaction to *ProCD* among most copyright scholars and commentators was swift, passionate, and, for the most part, exceptionally negative.<sup>19</sup> The scholarly consensus cautioned that if the *ProCD* approach were broadly adopted the results would be dire. Using contractual arrangements, the rights of providers of information goods would run amok, expand, and in doing so they would invade, shrink, and possibly destroy the public domain. A world in which *ProCD* is the law of the land—the consensus suggests—will look very different from a

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1907))), overruled on other grounds by *Leegin Creative Leather Prods. v. PSKS, Inc.*, 551 U.S. 877, 882 (2007).

<sup>14</sup> See, e.g., Epstein, *supra* note 3, at 503 (explaining that “[f]inding a systematic negative externality generated by [consensual restrictions on the alienation] is needed for justifying their imposition. Since patents and copyrights don’t pollute, it is far more difficult to find these in the world of intellectual property than in ordinary physical space”); Randal C. Picker, *From Edison to the Broadcast Flag: Mechanisms of Consent and Refusal and the Propertization of Copyright*, 70 U. Chi. L. Rev. 281, 294–95 (2003) (arguing that the type of regime that the *ProCD* decision fosters allows an author to “march down the demand curve for a particular work”). See also Frank H. Easterbrook, *Contract and Copyright*, 42 Hous. L. Rev. 953 (2005), in which Judge Easterbrook, who is also a law and economics scholar, provides economic reasoning in support of his decision in *ProCD*, and *infra* text accompanying notes 108–11. Of course, not all law and economics scholars support this strong view of property rights, either in general or in the context of the copyright-contract tension. See, e.g., Wendy J. Gordon, *Intellectual Property as Price Discrimination: Implications for Contract*, 73 Chi.-Kent L. Rev. 1367, 1381–86 (1998) (using economic reasoning to criticize *ProCD*); *infra* note 105.

<sup>15</sup> The first clear articulation of this approach I could find is from the unpublished 1987 opinion of the U.S. District Court for the Western District of Louisiana in *Taquino v. Teledyne Monarch Rubber*. In 1990, on appeal, the Fifth Circuit adopted the analysis of the district court on preemption and attached it to its opinion. *Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488, 1501 (5th Cir. 1990); see *infra* note 98 and accompanying text.

<sup>16</sup> 86 F.3d 1447 (7th Cir. 1996); see *infra* note 145.

<sup>17</sup> *Feist Publ’ns v. Rural Tel. Serv. Co.*, 499 U.S. 340, 344–45 (1991).

<sup>18</sup> *ProCD*, 86 F.3d at 1453–55.

<sup>19</sup> See *supra* note 3; *infra* notes 152–61 and accompanying text.

world in which *ProCD* is rejected. Contracts, we were repeatedly warned throughout the years, would kill copyright law.<sup>20</sup>

Part II of this Article suggests that notwithstanding those warnings, *ProCD* won the day. In the last twenty-one years since Judge Easterbrook's *ProCD* opinion, the no-preemption approach has gradually become more popular among courts while the competing facts-specific approach has lost ground. While the case law is not always perfectly clear, it seems that the no-preemption approach is now the law in the Fifth, Seventh, Ninth, Eleventh, and the Federal Circuits (applying the First Circuit precedent).<sup>21</sup> In contrast, only the Sixth Circuit has explicitly adopted the competing facts-specific approach.<sup>22</sup> The case law in other federal appellate courts, including the Second, Fourth, and Eighth Circuits, is murkier and does not indicate a clear preference for one approach over the other.<sup>23</sup> Since *ProCD*, federal appellate courts have decided fifteen cases in which a party argued that a contract is preempted by copyright law, but in only one of those cases, the Sixth Circuit decision in *Ritchie v. Williams*, was the preemption claim accepted.<sup>24</sup>

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<sup>20</sup> See, e.g., Nimmer et al., *supra* note 3, at 20 (discussing how contracts may lead to “the death of copyright”).

<sup>21</sup> See, e.g., *Montz v. Pilgrim Films & Television*, 649 F.3d 975, 979–81 (9th Cir. 2011) (en banc); *Real Estate Innovations v. Hous. Ass'n of Realtors*, 422 F. App'x 344, 348–50 (5th Cir. 2011); *Utopia Provider Sys. v. Pro-Med Clinical Sys.*, 596 F.3d 1313, 1325–27 (11th Cir. 2010); *Bowers v. Baystate Techs.*, 320 F.3d 1317, 1323–26 (Fed. Cir. 2003); *ProCD*, 86 F.3d at 1453–55; *infra* notes 162–71 and accompanying text.

<sup>22</sup> *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 455–56 (6th Cir. 2001).

<sup>23</sup> See *infra* notes 177–200.

<sup>24</sup> 395 F.3d 283, 287–88 (6th Cir. 2005). In the other fourteen final decisions, the preemption claim was rejected. *Spear Mktg. v. BancorpSouth Bank*, 791 F.3d 586, 594–97 (5th Cir. 2015); *Ryan v. Editions Ltd. W.*, 786 F.3d 754, 760–62 (9th Cir. 2015); *Forest Park Pictures v. Universal Television Network*, 683 F.3d 424, 436 (2d Cir. 2012); *Montz*, 649 F.3d at 979–81; *Real Estate Innovations*, 422 F. App'x at 349; *Benay v. Warner Bros. Entm't*, 607 F.3d 620, 629 (9th Cir. 2010); *Utopia Provider Sys.*, 596 F.3d at 1326–27; *Lynn v. Sure-Fire Music Co.*, 237 F. App'x. 49, 54 (6th Cir. 2007); *Davidson & Assocs. v. Jung*, 422 F.3d 630, 638–39 (8th Cir. 2005); *Grosso v. Miramax Film Corp.*, 383 F.3d 965, 968 (9th Cir. 2004); *Bowers*, 320 F.3d at 1323–26; *Lipscher v. LRP Publ'ns*, 266 F.3d 1305, 1318–19 (11th Cir. 2001); *Wrench*, 256 F.3d at 456–59; *Star Patrol Enters. v. Saban Entm't*, 1997 WL 683327, at \*3 (9th Cir. 1997). It should be noted that in *Montz v. Pilgrim Films & Television*, 606 F.3d 1153, 1158 (9th Cir. 2010), the Ninth Circuit held a *Desny*-type claim, see *infra* note 27 and accompanying text, preempted, but that decision was later vacated by the en banc panel in *Montz*, 649 F.3d at 979–81, where the preemption claim was denied.

Part II also provides several possible explanations for the failure of the facts-specific approach. First, the approach might be less attractive than the competing no-preemption approach because it is difficult to apply. It rejects a bright-line rule and requires courts to analyze contracts and compare them to copyright policies. Second, and more critically, courts and commentators employing the facts-specific approach failed to come up with a test that separates contracts that should be enforced from those that should not. The test that proponents of this approach have come up with is sometimes overly narrow and sometimes overly broad.<sup>25</sup> Indeed, the facts-specific approach creates a set of formalistic rules that, at times, make little sense, are arbitrary, and can lead to absurd results.<sup>26</sup> It is therefore not surprising that despite the scholarly warnings against the adoption of the no-preemption rule, so many courts flat-out rejected the facts-specific approach.

Part III examines the effect of the judicial adoption of *ProCD*'s no-preemption approach. Surprisingly, a close examination of the case law suggests that the doomsday scenarios many scholars predicted did not come to fruition. Indeed, there is a clear discrepancy between the parade of horrors that commentators warned about and the actual reality, as reflected in the case law.

The vast majority of the contracts litigated since *ProCD* embody commercially reasonable transactions that do not seem to pose any real threat to the goals or policies of federal copyright law. For example, a common form of such contracts includes a promise by the defendant to pay the plaintiff if the defendant decides to use a creative idea pitched by the plaintiff, such as an idea for a movie script or an advertising campaign.<sup>27</sup> Although such a contract regulates the use of ideas, it does not stand in the way of copyright policy and therefore there is little reason to find it preempted. Other typical arrangements that have been litigated, such as obligations to pay for certain usages, promises of

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<sup>25</sup> See *infra* Section II.B.

<sup>26</sup> See *id.*

<sup>27</sup> These types of claims are typically called “*Desny* claims” because the legal theory on which they are based was established in *Desny v. Wilder*, 299 P.2d 257 (Cal. 1956) (in bank). In that famous case, the Supreme Court of California found that the renowned screenwriter Billy Wilder had made an implicit contractual promise to pay Victor Desny if Wilder would use an idea for a movie that Desny pitched. *Id.* at 273. The court held that Wilder might have breached such an implied-in-fact contract when he created the movie *Ace in the Hole* without paying Desny. *Id.* at 277.

confidentiality, or promises to refrain from copyright infringement, are also commercially reasonable and should not be preempted.<sup>28</sup>

The study of the case law also indicates that the contracts subject to preemption litigation were entered into by sophisticated parties or, at least, in situations where the parties have likely read, or should have read, the contract prior to its acceptance.<sup>29</sup> In other words, the contracts that have been litigated are typically not the type of standard-form agreements that commonly raise serious policy concerns: click-wraps, browser-wraps, shrink-wraps, and other form documents which are routinely accepted without being read and usually without much thought. The type of contracts that commentators warned about—for example, a mass of long and complicated standard-form agreements that would force all users, without reading or noticing, to promise not to criticize the underlying work, parody it, or use the idea expressed therein—are nowhere to be found among the litigated contracts.

Indeed, the horror scenarios that envisioned contractual arrangements running wild and trumping copyright law as we know it have not materialized. Part III considers the limitations in relying on litigated contracts. It acknowledges that it is theoretically possible that focusing on litigated cases can create a distorted impression, but concludes that this possibility is unlikely. It is doubtful that contracts do, in fact, affect users' behavior in a way that disturbs the arrangements set by copyright law without leaving a trace, in the case law or elsewhere. In other words, it is implausible that users routinely refrain from creating parodies or use ideas because of never-litigated contractual limitations.

What explains this discrepancy? Why, if many courts are willing to enforce contracts over information goods, don't distributors of those goods routinely use contract law to fundamentally restrict the rights of their users? Why did the parade of horrors not materialize? Part III suggests that the main reason is that contracts are not an efficient tool to control mass use of information and information goods, and they are certainly inferior to other tools, such as copyright law and encryption.

On one hand, a plaintiff in a contractual dispute must prove privity: that the defendant accepted the contract.<sup>30</sup> On the other hand,

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<sup>28</sup> See *infra* text accompanying notes 267–76.

<sup>29</sup> See *infra* text accompanying notes 256–66.

<sup>30</sup> Restatement (Second) of Contracts § 17 (Am. Law Inst. 1981) (“[T]he formation of a contract requires . . . a manifestation of mutual assent . . .”).

information wants to be free.<sup>31</sup> It tends to spill over. Controlling it, and preventing third parties from gaining access to it, is challenging. Ideas, in particular, tend to escape control. Establishing contract privity over information is thus difficult. Moreover, contract law might lack tools to effectively prevent mass breach, such as generous remedies or secondary liability, both existing under copyright law.<sup>32</sup> Finally, even without preemption, contracts are subject to legal and nonlegal restrictions. Legal restrictions include a set of doctrines, such as unconscionability and public policy that are designed to limit extremely offensive contracting practices.<sup>33</sup> Nonlegal restrictions include market pressure and reputation concerns that also limit the publishers' abilities to use over-offensive terms and practices.<sup>34</sup> Those factors make contracts less effective in controlling information goods. Contracts simply do not allow publishers to exercise the kind of extreme control that scholars were concerned about in the aftermath of *ProCD*.

Part IV considers the normative implications of those findings. The study of the litigated contracts, and the analysis thereof, seems to support *ProCD*'s no-preemption approach. Contracts do not seem to pose a significant risk to copyright policy. Creating a complex set of rules to correctly identify very rare situations in which contracts do pose such a risk—an endeavor which so far has failed—will offer only limited benefits.<sup>35</sup> Such an approach will also likely cause social harm, as it will introduce additional complexity and uncertainty. Judges will struggle to implement those complex rules, spend resources, and, unavoidably, make mistakes. Type I errors, false positives, where judges find contracts preempted when they should not, are especially likely.<sup>36</sup> For those reasons, the facts-specific approach, or a variation thereof,

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<sup>31</sup> See, e.g., Benkler, *supra* note 3, at 433–35; Brett M. Frischmann & Mark A. Lemley, Spillovers, 107 Colum. L. Rev. 257 (2007); R. Polk Wagner, Information Wants to Be Free: Intellectual Property and the Mythologies of Control, 103 Colum. L. Rev. 995, 999 (2003).

<sup>32</sup> See *infra* text accompanying notes 300–06.

<sup>33</sup> See *infra* text accompanying notes 314–20.

<sup>34</sup> See, e.g., Lucian A. Bebchuk & Richard A. Posner, One-Sided Contracts in Competitive Consumer Markets, 104 Mich. L. Rev. 827, 829–31 (2006); *infra* text accompanying notes 322–25.

<sup>35</sup> This does not mean that specific norms cannot be identified to limit contractual freedom. For example, limitations on reverse engineering might, at least under certain conditions, be unenforceable, although it is possible that such a rule should be devised by Congress and not courts. See *infra* notes 279, 328.

<sup>36</sup> See *infra* Section IV.A.

seems undesirable, and its rejection by most courts seems socially beneficial.

Copyright law is not the only area of the law affected by contracts and, in particular, standard-form agreements. Copyright scholars are not the only scholars who are concerned that contracts will trump carefully created legal balances.<sup>37</sup> Professor Margaret Radin, in an important recent work, called such contracts “rights deletion schemes” and explored their effects on various legal doctrines.<sup>38</sup> Part IV concludes by examining whether the result of this study on contracts over information goods can be generalized and applicable to other areas of the law.

Generalization is tempting. If standard-form agreements turn out to be less harmful to copyright policy than many have predicted, and if the underlying copyright policy seems resilient to changes by contracts, it might be tempting to suggest that the standard-form agreements problem is overstated.<sup>39</sup> To a degree, this argument is correct. This Article demonstrates that there might be a significant gap between the text of standard-form agreements and the ways in which they are enforced. Therefore, studying the text might create a distorted impression. This Article also points to the inability of contracts to replace certain underlying statutory regimes, which might also be true in other contexts.

At the same time, Part IV also explains that this argument should not be taken to the extreme. Various standard-form agreement provisions may be subject to conditions and constraints that are quite different from contracts over information goods. Specifically, certain features of information, such as its tendency to spill over, are lacking in other markets. Some standard-form provisions, such as mandatory arbitration,

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<sup>37</sup> Dozens of scholars have noted this issue. See, e.g., Friedrich Kessler, *Contracts of Adhesion—Some Thoughts About Freedom of Contract*, 43 *Colum. L. Rev.* 629, 632–33, 636, 640 (1943); Todd D. Rakoff, *Contracts of Adhesion: An Essay in Reconstruction*, 96 *Harv. L. Rev.* 1173, 1174–75, 1182–83 (1983); Judith Resnik, *Diffusing Disputes: The Public in the Private of Arbitration, the Private in Courts, and the Erasure of Rights*, 124 *Yale L.J.* 2804, 2870–71 (2015); W. David Slawson, *Standard Form Contracts and Democratic Control of Lawmaking Power*, 84 *Harv. L. Rev.* 529, 530 (1971).

<sup>38</sup> Radin, *supra* note 3, at 16–18.

<sup>39</sup> Some have made that claim, at least in certain contexts. See, e.g., Douglas G. Baird, *The Boilerplate Puzzle*, 104 *Mich. L. Rev.* 933, 933–34 (2006); Randy E. Barnett, *Consenting to Form Contracts*, 71 *Fordham L. Rev.* 627, 634–36 (2002); Omri Ben-Shahar, *Regulation Through Boilerplate: An Apologia*, 112 *Mich. L. Rev.* 883, 885, 895–98 (2014); Florencia Marotta-Wurgler, *Are “Pay Now, Terms Later” Contracts Worse for Buyers? Evidence from Software License Agreements*, 38 *J. Legal Stud.* 309, 312–13 (2009).

allow companies to avoid significant liability, and therefore those companies are likely to use them as a shield.<sup>40</sup> Future research will be able to look more carefully into those provisions and those markets and explore to what degree they present some of the same features of the markets for information and information goods.

## I. THE COPYRIGHT-CONTRACT CONFLICT

### A. *The Copyright-Contract Interaction*

Copyright law consists of legal norms that govern certain actions with respect to “original works of authorship fixed in any tangible medium of expression.”<sup>41</sup> Contracts allow individuals to create legal norms with respect to original (and nonoriginal) works that are fixed (and those that are not fixed) in a tangible medium of expression. This Part explains how contracts can help promote the goals of copyright policy but also how this potential overlap in legal norms can create tension between the two.

In many respects, copyright and contracts complete one another. While in theory copyright law can operate without contracts—copyright is created upon fixation and immediately protects authors against unauthorized reproduction and distribution—in practice, copyright law cannot achieve its goals without trade, and trade cannot efficiently operate without contracts.<sup>42</sup> As the main goal of copyright law, at least in the United States, is to provide incentives to engage in creative activities, achieving this goal requires creators to trade the products of their creative labor for compensation. Contracts are therefore common at all stages of the creative process. They, for example, can set the legal relationship between contributors to the work,<sup>43</sup> and between them and

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<sup>40</sup> See, e.g., *AT&T Mobility LLC v. Concepcion*, 563 U.S. 333, 344–52 (2011) (denying a class action claim because a mandatory arbitration provision was included in a standard-form agreement).

<sup>41</sup> 17 U.S.C. § 102(a) (2012).

<sup>42</sup> Cass R. Sunstein, *Incommensurability and Valuation in Law*, 92 *Mich. L. Rev.* 779, 826 (1994) (“Markets are of course a function of the law of property, contract, and tort, without which voluntary agreements would not be possible.”).

<sup>43</sup> See, e.g., *Childress v. Taylor*, 945 F.2d 500, 507 (2d Cir. 1991).

their publishers,<sup>44</sup> establish a work-made-for-hire status,<sup>45</sup> form arrangements between publishers, distributors, and retailers, and be the source of certain norms between copyright owners and the consumers of copyrighted goods.

Consider, for example, the complex relationship between copyright owners and users of copyrighted goods. Copyright law includes detailed rules that define the rights that buyers (or licensees) of copyrighted goods have with respect to copies of copyrighted goods they purchase (or license). When Alice writes a book and sells a copy of it to Bob, copyright law dictates that Bob is able, *inter alia*, to read the book, resell it,<sup>46</sup> and dispose of it, but he cannot, subject to certain exceptions such as fair use,<sup>47</sup> create copies of the book, read it out loud in public, or write a sequel.<sup>48</sup> These prohibited actions are called “exclusive rights,” as they can be exercised exclusively by—or under the authority of—the copyright owner.

This is the starting point of the journey. The difficult question that this Article addresses is to what extent the parties are allowed to deviate from these arrangements. Some deviations seem unproblematic. For instance, the Copyright Act expressly states that the copyright owner is free to authorize a user or a licensee to take any action that is part of that owner’s exclusive rights.<sup>49</sup> Thus, a copyright owner can allow buyers or licensees to make copies of the work, translate it into another language, or display it in public.

The other kinds of deviations, in which the buyer or licensee promises to refrain from an activity that copyright law does not prohibit are,

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<sup>44</sup> Guy A. Rub, *Stronger than Kryptonite? Inalienable Profit-Sharing Schemes in Copyright Law*, 27 *Harv. J.L. & Tech.* 49, 115–24 (2013) (discussing profit-sharing arrangements between creators and publishers).

<sup>45</sup> 17 U.S.C. § 101; see also *Warren v. Fox Family Worldwide*, 328 F.3d 1136, 1142 (9th Cir. 2003) (enforcing an “explicit . . . contract that establishes [the work] as ‘works made for hire’”).

<sup>46</sup> 17 U.S.C. § 109(a); see also William W. Fisher III, *Property and Contract on the Internet*, 73 *Chi.-Kent L. Rev.* 1203, 1204–06 (1998) (discussing the initial allocation of rights as set by copyright law).

<sup>47</sup> 17 U.S.C. § 107.

<sup>48</sup> *Id.* §§ 106(1)–(2), (4).

<sup>49</sup> *Id.* § 106 (“[T]he owner of copyright . . . has the exclusive rights to do and to authorize any of the following . . .”).

however, more troubling and have been the source of significant controversy.<sup>50</sup>

The typical case in which copyright policy and freedom of contracts might conflict is simple to grasp. The plaintiff—typically a distributor—sells a copy of a certain information good, which can be copyrighted or not, to the defendant. As part of that transaction the defendant promises to refrain from an act that might not be prohibited by copyright law or to take an action that might not be required by copyright law. After the promise is breached, the plaintiff brings a claim for breach of contract<sup>51</sup> and the defendant argues that the enforcement of such a promise is inconsistent with copyright policy and thus preempted.

In theory, contractual promises can conflict with copyright law in several ways. Some promises might create legal norms that seem broader than the legal norms of copyright law, and, in the aggregate, they arguably might cause contract law to substitute, at least to a degree, copyright law. Contractual promises can be inconsistent with various aspects of copyright law: with the subject matter of copyright law, with the limited nature of the exclusive rights under copyright law, with the defenses to copyright infringement claims, and with the procedural

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<sup>50</sup> See *infra* Sections I.B and II.A.

<sup>51</sup> While a breach of a contractual obligation, such as a promise to pay, is typically not in itself an infringement of copyright, in some cases it can indirectly lead to liability under copyright law. For example, when a publisher-licensee breaches a condition in a nonexclusive publishing agreement and continues to distribute copies of a copyrighted protected work, the distribution is likely an infringement. See *MDY Indus., LLC v. Blizzard Entm't*, 629 F.3d 928, 939–40 (9th Cir. 2010).

In the context of software and digital content, the line between a breach of contract and copyright infringement is fine. Software cannot be used without being copied to the computer's internal memory. Because copying is an exclusive right, 17 U.S.C. § 106(1), under (controversial) Ninth Circuit precedent, subject to a rather narrow statutory defense, 17 U.S.C. § 117, as well as the general defenses for copyright infringement, such as fair use, every user of software must have a license that would permit her to create temporary copies as part of the standard usage. It follows that a breach of almost any condition in a software license agreement might result in copyright liability, because the permission to copy the software to the memory provided in the license agreement would become ineffective upon breach. Courts sometimes place additional bars to finding of copyright infringement in such circumstances. See *MDY Indus.*, 629 F.3d at 941 (holding that “for a licensee’s violation of a contract to constitute copyright infringement, there must be a nexus between the condition and the licensor’s exclusive rights of copyright”). A full analysis of copyright infringement claims as a result of a breach of contracts is beyond the scope of this Article. See Omri Ben-Shahar, *Damages for Unlicensed Use*, 78 U. Chi. L. Rev. 7, 10–12 (2011).

aspects of copyright law infringement claims. The next paragraphs describe some of those situations.

*Inconsistencies with the subject matter of copyright.* Copyright law does not protect all kinds of information goods. A work must fall within the subject matter of copyright in order to be protected. In particular, copyright law does not protect ideas.<sup>52</sup> Contracts, by contrast, can—and often do—regulate rights in ideas. Common examples are *Desny* claims.<sup>53</sup> A *Desny* claim arises when the plaintiff pitches an idea for a creative endeavor—a movie,<sup>54</sup> a TV or radio show,<sup>55</sup> or a commercial campaign<sup>56</sup>—to the defendant, who rejects the pitched endeavor but later uses the idea. Contract law, in many states, holds that an implied-in-fact contract<sup>57</sup> exists in such a case and that this contract includes a promise

<sup>52</sup> 17 U.S.C. § 102(b) (“In no case does copyright protection . . . extend to any idea . . .”). The Supreme Court held that this principle has a constitutional aspect as it balances Congress’s power to enact copyright legislation and the principles of freedom of speech under the First Amendment. *Golan v. Holder*, 132 S. Ct. 873, 889–90 (2012); *Eldred v. Ashcroft*, 537 U.S. 186, 219 (2003).

<sup>53</sup> See *supra* note 27.

<sup>54</sup> See, e.g., *Smith v. Weinstein*, 578 F. Supp. 1297, 1307–08 (S.D.N.Y. 1984) (finding an implied-in-fact contract over an idea that was later used in the screenplay of the movie *Stir Crazy* enforceable), *aff’d*, 738 F.2d 419 (2d Cir. 1984); *Desny v. Wilder*, 299 P.2d 257, 277 (Cal. 1956) (finding an implied-in-fact contract over idea to produce a movie might have been used in the production of *Ace in the Hole*; copyright preemption was not considered in this case).

<sup>55</sup> See, e.g., *Forest Park Pictures v. Universal Television Network*, 683 F.3d 424, 436 (2d Cir. 2012) (finding an implied-in-fact contract over an idea for a TV show that was later used in the production of the show *Royal Pains* enforceable); *Montz v. Pilgrim Films & Television*, 649 F.3d 975, 981 (9th Cir. 2011) (en banc) (finding an implied-in-fact contract over the idea for a television show that later turned into the show *Ghost Hunters* enforceable); *Trenton v. Infinity Broad. Corp.*, 865 F. Supp. 1416, 1429–30 (C.D. Cal. 1994) (finding an implied-in-fact contract over the idea to produce a new format of a radio show which was later used in the production of the mega-popular show *Loveline* enforceable).

<sup>56</sup> See, e.g., *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 459 (6th Cir. 2001) (finding an implied-in-fact contract over an idea to run a campaign for Taco Bell starring a Chihuahua that was later used by Taco Bell enforceable); *Garrido v. Burger King Corp.*, 558 So. 2d 79, 83 (Fla. Dist. Ct. App. 1990) (finding an implied-in-fact contract over an idea for a Burger King campaign enforceable).

<sup>57</sup> An implied-in-fact contract is “founded upon a meeting of minds, which, although not embodied in an express contract, is inferred, as a fact, from conduct of the parties showing, in the light of the surrounding circumstances, their tacit understanding.” *Balt. & Ohio R.R. Co. v. United States*, 261 U.S. 592, 597 (1923). It is crucial to distinguish implied-in-fact contracts, such as those discussed in a *Desny* claim, from implied-in-law contracts (also called quasi contracts). The former are based on legal obligations that, like any other contractual claim, are founded on the parties’ consent, while the latter are not contracts at all

by the defendant to pay for the fair value of their pitched idea, if it is later used.<sup>58</sup> In this way, contracts allow creators to regulate the use of ideas, which are not protected by copyright.

Factual information is also not within the scope of copyright subject matters. In *Feist Publications v. Rural Telephone Service Co.*, the U.S. Supreme Court held that because facts lack creativity, Congress is not authorized to protect them by copyright.<sup>59</sup> Contracts, however, can regulate the use of factual information. In *ProCD*, which will be discussed at length below, the defendant was successfully sued for breaching a contractual promise to refrain from commercial use of an uncopyrightable factual database.<sup>60</sup> In another case, a plaintiff successfully sued for breaching a contract that prohibited the reproduction of statistical information regarding jury decisions.<sup>61</sup>

*Inconsistency with copyright exclusive rights.* Copyright law prohibits buyers of copyrighted works from taking certain actions with their purchased goods. Subject to the general defenses to copyright liability, discussed below, buyers are not allowed to reproduce the copyrighted good, to create a derivative work thereof, to distribute it, or to publicly display or perform it.<sup>62</sup> Buyers, however, are free to use the work in any

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as the legal obligations are not the result of the defendant's promise but on the defendant's unjust enrichment. The copyright preemption analysis for implied-in-law agreements, or unjust enrichment, which is beyond the scope of this Article, is dramatically different from the analysis of preemption of contractual, including implied-in-fact, claims. But see *Fischer v. Viacom Int'l*, 115 F. Supp. 2d 535, 541–42 (D. Md. 2000) (discussing preemption while erroneously lumping together previous decisions that discuss implied-in-fact claims and implied-in-law claims); *Worth v. Universal Pictures*, 5 F. Supp. 2d 816, 822 (C.D. Cal. 1997) (holding that a *Desny*-like claim is preempted by the Copyright Act because "a breach of an implied contract is a species of quasi contract," thus clearly confusing implied-in-fact and implied-in-law claims).

<sup>58</sup> See, e.g., *Wrench*, 256 F.3d at 461 (discussing such a cause of action under Michigan law, relying on *Sarver v. Detroit Edison Co.*, 225 Mich. App. 580, 589 (Mich. Ct. App. 1997)); *McGhan v. Ebersol*, 608 F. Supp. 277, 284 (S.D.N.Y. 1985) (stating that "[i]n certain situations, the courts of New York will afford protection to persons who . . . have disclosed their ideas to others in the expectation that the idea would be used, and the use compensated" (internal quotation marks omitted)); *Reeves v. Alyeska Pipeline Serv. Co.*, 926 P.2d 1130, 1141 (Alaska 1996) (holding that "a request by the recipient for disclosure of the idea usually implies a promise to pay for the idea if the recipient uses it"); *Desny*, 299 P.2d at 277 (finding an implied-in-fact contract over an idea to produce a movie).

<sup>59</sup> 499 U.S. 340, 363 (1991).

<sup>60</sup> *ProCD*, 86 F.3d at 1449.

<sup>61</sup> *Lipscher v. LRP Publ'ns*, 266 F.3d 1305, 1309 (11th Cir. 2001).

<sup>62</sup> 17 U.S.C. § 106 (2012).

way that does not include reproduction, adaptation, distribution, or public performance or display. Contracts, on the other hand, might include promises that limit other actions that can be taken with respect to the work. For example, in one famous case, a promise not to use certain architectural plans to build a building was found to be enforceable.<sup>63</sup> In another well-known case, a promise to use software for the exclusive benefit of the promisor and not third parties was found to be enforceable.<sup>64</sup>

*Inconsistency with copyright defenses.* Many activities that include copying, adaptation, distribution, or public performance or display of copyrighted protected materials are shielded by one of the dozens of defenses that copyright law provides.<sup>65</sup> In contrast, liability for breach of contract is obviously not limited by the defenses to copyright infringement. Therefore, a contract may include a promise to refrain from taking actions that are explicitly shielded by a defense for copyright infringement.

For example, the fair use defense—arguably the most important defense under copyright law<sup>66</sup>—provides a multifactor test to identify certain actions that are considered fair and thus noninfringing. Contracts can, however, regulate those actions. Reverse engineering of software—the process of extracting certain design information from computer programs, typically for interoperability purposes—was held by some courts to be fair use.<sup>67</sup> Software companies, however, may include in their End User License Agreements (“EULAs”) a contractual promise not to reverse engineer their products.<sup>68</sup> Such provisions provide a

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<sup>63</sup> *Acorn Structures v. Swantz*, 846 F.2d 923, 924–25 (4th Cir. 1988).

<sup>64</sup> *Nat’l Car Rental Sys. v. Comput. Assocs. Int’l*, 991 F.2d 426, 427 (8th Cir. 1993).

<sup>65</sup> Most copyright liability defenses are found in §§ 107–22 of the Copyright Act. 17 U.S.C. §§ 107–22.

<sup>66</sup> See *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 575 (1994) (“From the infancy of copyright protection, some opportunity for fair use of copyrighted materials has been thought necessary to fulfill copyright’s very purpose.”).

<sup>67</sup> *Sony Comput. Entm’t v. Connectix Corp.*, 203 F.3d 596, 608 (9th Cir. 2000); *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1527–28 (9th Cir. 1992); see also *infra* note 279.

<sup>68</sup> *Davidson & Assocs. v. Jung*, 422 F.3d 630, 634–35 (8th Cir. 2005); *Bowers v. Baystate Techs.*, 320 F.3d 1317, 1322 (Fed. Cir. 2003).

contractual cause of action when a defense bars liability for copyright infringement.<sup>69</sup>

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<sup>69</sup> Contractual promises can be inconsistent with other, typically narrower, copyright defenses. For example, under § 113(c) of the Copyright Act, including an image of a useful article in an advertisement is shielded from copyright liability. 17 U.S.C. § 113(c). In *Major v. Sony Music Entertainment*, No. 92 Civ. 2826, 1992 WL 210115 (S.D.N.Y. Aug. 17, 1992), however, the court considered a contractual promise that prohibited the inclusion of a DVD cover in any advertisement, although the court eventually found to be preclusive an earlier state court's decision holding that the contract was preempted.

A more important defense, the first sale doctrine, deserves a separate discussion. Under this defense, the owner of a lawfully made copy "is entitled . . . to sell or otherwise dispose of the possession of that copy." 17 U.S.C. § 109(a). Can copyright owners try to control downstream distribution through a breach of contract claim when the first sale doctrine bars copyright liability? In theory, the answer is yes, but in practice, they probably don't need to do so.

The first sale doctrine is available only to owners of copyrighted goods and not to licensees. Therefore, if copyright owners are able to license and not sell the copies of their work, they can control distribution without relying on a contractual cause of action. See Clark D. Asay, *Kirtsaeng and the First-Sale Doctrine's Digital Problem*, 66 Stan. L. Rev. Online 17, 18 (2013); Guy A. Rub, *Rebalancing Copyright Exhaustion*, 64 Emory L.J. 741, 812–15 (2015). Under Ninth Circuit precedent, a transaction is a license and not a sale if the contract states so. *Vernor v. Autodesk, Inc.*, 621 F.3d 1102, 1110–11 (9th Cir. 2010). While other circuits' precedent might be inconsistent with that of the Ninth Circuit, see, for example, *Krause v. Titleserv*, 402 F.3d 119, 124–25 (2d Cir. 2005) (focusing on whether the "party exercises sufficient incidents of ownership . . . to be sensibly considered the owner"), the Ninth Circuit has dealt with this issue more than any other court in the country. Therefore, in practice, most copyright owners who have contracts with their buyers can use copyright law to control the downstream distribution of their work without resorting to a contractual cause of action. Cf. *Nimmer et al.*, supra note 3, at 55 (warning that the "logic of *ProCD*" can bar buyers "from passing [a] purchased [book] on to a friend").

One could argue that the Ninth Circuit approach, which provides copyright owners with an easy way to control secondary markets, is inconsistent with the spirit of the recent Supreme Court decisions in *Kirtsaeng v. John Wiley & Sons*, 568 U.S. 519, 538 (2013) (broadly interpreting copyright exhaustion as rooted in common law principles disapproving restraints on alienation), and *Impression Products v. Lexmark International*, 137 S. Ct. 1523, 1531–32 (2017) (broadly interpreting patent exhaustion as rooted in the same principles). If in the future courts place additional limits on the ability of copyright holders to use intellectual property law to restrict alienation, those copyright owners might resort to other means of control, including contract law. A full analysis of this possibility and the preemption questions it entails is beyond the scope of this Article. See generally John F. Duffy & Richard Hynes, *Statutory Domain and the Commercial Law of Intellectual Property*, 102 Va. L. Rev. 1, 64–73 (2016) (explaining how certain state laws, including contract law and property law, can be used to partly control secondary markets); Peter S. Menell, *Envisioning Copyright Law's Digital Future*, 46 N.Y.L. Sch. L. Rev. 63, 98 (2003) (pointing to the dynamic between various forms of legal protection by suggesting that "[t]he federal courts' success in delimiting copyright protection for computer software shifted the software

*Inconsistencies with the procedures of copyright infringement lawsuits.* The rules of copyright law are not limited to substantive norms such as those governing the scope of the exclusive rights and their limitations. The Copyright Act also sets certain procedures for bringing and adjudicating copyright claims. For example, Section 411 requires registration of the copyright prior to filing a lawsuit, Section 501(b) provides that only copyright owners and exclusive licensees may initiate a copyright lawsuit, and Section 507(b) fixes the statute of limitations for copyright infringement claims to three years.<sup>70</sup> Contractual claims are subject to a different—typically a lighter—set of procedural limitations. For example, every party to a contract, as well as third-party beneficiaries, can bring a contractual claim. Similarly, the statute of limitations for contract claims is typically set to four or more years.<sup>71</sup> Therefore, a contractual cause of action may be available when a copyright infringement claim is not. In those situations, a contractual promise to refrain from copyright infringement might look redundant and unneeded at first but can provide valuable rights to the promisee. In other words, while most plaintiffs will prefer a copyright infringement claim, primarily because copyright remedies are superior to contractual ones,<sup>72</sup> in some unusual cases, for procedural reasons, the plaintiff might bring a contractual claim even if the defendant's actions seem to infringe copyright.<sup>73</sup>

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industry's attention to pursuing other means for protecting software innovation," including by patent law and contract law).

<sup>70</sup> 17 U.S.C. §§ 411, 501(b), 507(b).

<sup>71</sup> A statute of limitations in contracts for the sale of goods is four years. U.C.C. § 2-725 (Am. Law Inst. & Nat'l Conference of Comm'rs of Unif. State Law 2014).

With respect to other contracts the statute of limitations varies across jurisdictions. It can be as short as three years, for example, Md. Code Ann., Cts. & Jud. Proc. § 5-101 (LexisNexis 2013), or as long as ten years, for example, 735 Ill. Comp. Stat. 5/13-206 (2014), although it seems that in many jurisdictions it is set to six years, for example, N.Y. C.P.L.R. § 213 (Consol. 2016).

<sup>72</sup> See *infra* text accompanying notes 300–03.

<sup>73</sup> See, e.g., *Ritchie v. Williams*, 395 F.3d 283, 288–89 (6th Cir. 2005) (discussing a contractual claim after the statute of limitations had run on a parallel copyright claim).

*B. Copyright Preemption of Contracts**1. Copyright Express Preemption*

Courts address the potential tension between contracts and copyright policy mainly through the doctrine of federal preemption.<sup>74</sup> The Supremacy Clause of the U.S. Constitution states that “the Laws of the United States . . . shall be the supreme Law of the Land.”<sup>75</sup> From this Clause emerged the federal preemption doctrine under which “state laws that conflict with federal law are ‘without effect.’”<sup>76</sup>

The last major case in which the Supreme Court addressed copyright preemption was *Goldstein v. California*, which was decided prior to the enactment of the Copyright Act of 1976.<sup>77</sup> In that case, the Court held that the Constitution does not preclude states from creating their own copyright-like mechanisms and that, because Congress did not intend to “occup[y] the field,” states are free to grant exclusive rights to authors.<sup>78</sup> The Court then examined whether the specific state law at bar conflicted with the purpose and objectives of the Copyright Act, as was effective at the time, and concluded that it did not.<sup>79</sup> The Supreme Court also stated that Congress has the power to dictate national policy in the protection or the lack of protection of certain types of “writing[s].”<sup>80</sup> In 1976, when Congress revised the Copyright Act, it did just that.

In 1976, Congress used its express preemption power and enacted Section 301(a) of the Copyright Act of 1976. It reads:

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<sup>74</sup> This is of course not the only possible doctrinal venue to address this conflict, although it is by far the most common one. Other doctrines might be found both in federal law, for example in copyright misuse doctrine, *Apple Inc. v. Psystar Corp.*, 658 F.3d 1150, 1154–60 (9th Cir. 2011), and in state contract law, for example, public policy and unconscionability, Restatement (Second) of Contracts §§ 178, 208 (Am. Law. Inst. 1981). See *infra* Subsection III.D.4.

<sup>75</sup> U.S. Const. art. VI, cl. 2.

<sup>76</sup> *Altria Grp. v. Good*, 555 U.S. 70, 76 (2008) (quoting *Maryland v. Louisiana*, 451 U.S. 725, 746 (1981)).

<sup>77</sup> 412 U.S. 546 (1973). The Court addressed copyright preemption again, almost in passing and without referring to § 301, in *Capital Cities Cable v. Crisp*, 467 U.S. 691, 709–11 (1984).

<sup>78</sup> *Goldstein*, 412 U.S. at 560, 567–70.

<sup>79</sup> More specifically, the Court, by a five-Justice majority, decided that California may prohibit the copying of sound recordings that were not protected by the Copyright Act at the time because Congress “has left the area unattended, and no reason exists why the State should not be free to act.” *Id.* at 570.

<sup>80</sup> *Id.* at 559.

[A]ll legal or equitable rights that are 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 . . . are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.<sup>81</sup>

Since the passage of the Copyright Act, copyright preemption of contracts is discussed almost exclusively under the auspice of Section 301(a), whereas other forms of preemption, and in particular conflict preemption, which will be discussed below, has received very little attention.<sup>82</sup>

The Supreme Court has never interpreted Section 301(a). Lower courts, however, have adopted a two-part test for applying it:

First, the work of authorship in which rights are claimed must fall within the “subject matter of copyright” as defined in §§ 102 and 103 of the [Copyright] Act. . . .

[Second,] [t]he statute also requires that a state law create “legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified in section 106” if it is to be preempted.<sup>83</sup>

Thus, the first prong of the test requires courts to determine if the work in question is “within the subject matter of copyright.” Most courts agree that this prong must be broadly applied and it must not be limited to copyright-protected works. Otherwise, states would be free to protect nonprotected elements, including facts and ideas, without taking into account the federal policy embodied in the Copyright Act.<sup>84</sup> The Sixth Circuit summarized this dominant approach by stating that “the scope of protection afforded under copyright law is not the same as the scope of

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<sup>81</sup> 17 U.S.C. § 301(a) (2012).

<sup>82</sup> See *infra* Section III.A.

<sup>83</sup> *Harper & Row Publishers v. Nation Enters.*, 723 F.2d 195, 199–200 (2d Cir. 1983) (footnote omitted) (quoting 17 U.S.C. § 301(a) (1976)), *rev'd on other grounds*, 471 U.S. 539 (1985).

<sup>84</sup> See Ariel Katz, Aaron Perzanowski & Guy A. Rub, *The Interaction of Exhaustion and the General Law: A Reply to Duffy and Hynes*, 102 Va. L. Rev. Online 8, 22–23 (2016).

preemption. Rather, . . . ‘the shadow actually cast by the [Copyright] Act’s preemption is notably broader than the wing of its protection.’”<sup>85</sup>

As applied to contract law, there is a broad consensus that contracts over “writings,” whether protected by copyright or not, fall under this first part of the test.<sup>86</sup> Therefore, their preemption or lack thereof depends on the scope of the second part of the test: the equivalency prong.

The second prong requires courts to determine whether state law creates “legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by

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<sup>85</sup> *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 454 (6th Cir. 2001) (alteration in original) (quoting *United States ex rel. Berge v. Bd. of Trs. of Univ. of Ala.*, 104 F.3d 1453, 1463 (4th Cir. 1999)); see also *Spear Mktg. v. BancorpSouth Bank*, 791 F.3d 586, 594–96 (5th Cir. 2015) (summarizing the approaches for applying the first prong).

<sup>86</sup> There is only one decision in which a federal appellate court held that a contractual claim was not preempted just because the “[plaintiff’s] cause of action is based upon [an] implicit provision of the contract which does not arise out of the subject matter of copyright.” *Acorn Structures v. Swantz*, 846 F.2d 923, 926 (4th Cir. 1988). This decision consisted of an exceptionally short discussion on preemption (174 words, reversing a long—2221 words—and thorough decision of the district court) that future courts struggled with. See, e.g., *ProCD v. Zeidenberg*, 908 F. Supp. 640, 657 (W.D. Wis. 1996), rev’d and remanded, 86 F.3d 1447 (7th Cir. 1996) (suggesting, incorrectly, that in *Acorn* the Fourth Circuit held that contract cause of action is not “equivalent” to copyright infringement); see also *ProCD*, 86 F.3d at 1454 (same); *Frontline Test Equip. v. Greenleaf Software*, 10 F. Supp. 2d 583, 593 (W.D. Va. 1998) (suggesting, incorrectly, that “[t]he Fourth Circuit’s careful analysis . . . in the *Acorn* claim seems . . . more in agreement with Professors Melville and David Nimmer, who state persuasively, ‘. . . [that] preemption should continue to strike down claims that . . . complain directly about the reproduction of expressive materials’” (quoting 1 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 1.01[B][1][a] (1994))); see also *infra* text accompanying notes 126–31. There are nevertheless a few, probably less than ten, opinions by district courts and state courts that rejected a preemption of contract claim because the contract is allegedly outside of the subject matter of copyright law. E.g., *Capital Concepts v. Mountain Corp.*, No. 3:11-CV-00036, 2012 WL 6761880, at \*17 (W.D. Va. Dec. 30, 2012) (holding that because short expressions are not protected by copyright a contract that regulated them “[did] not fall within the ‘subject matter of Sections 102 and 103 of the Copyright Act’” and therefore “[p]laintiff’s claims for breach of contract, which are premised solely on the Defendants’ unauthorized use of such text . . . cannot be preempted”); *Concept Chaser Co. v. Pentel of Am., Ltd.*, No. B241929, 2014 WL 2197619, at \*9 (Cal. Ct. App. May 27, 2014) (holding that a *Desny* claim is not preempted because “[the plaintiff’s] campaign idea is not a matter covered under the Copyright Act,” and thus ignoring a long line of cases, including a Ninth Circuit en banc opinion that held differently, *Montz v. Pilgrim Films & Television*, 649 F.3d 975, 979–80 (9th Cir. 2011) (“[S]tate-law protection for fixed ideas falls within the subject matter of copyright and thus satisfies the first prong of the statutory preemption test, despite the exclusion of fixed ideas from the scope of actual federal copyright protection.”)).

section 106.”<sup>87</sup> The rights specified in Section 106 are the exclusive rights: reproduction, adaptation, distribution, and public display and performance.<sup>88</sup> Thus, in the second stage of the analysis, courts must decide if the rights created by state law are equivalent to the exclusive rights.

Courts uniformly use the extra element test to decide the question of equivalency. Under this test:

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. 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.<sup>89</sup>

Courts agree that not every extra element will suffice to save the state law from preemption, but instead “the ‘extra element’ [must] change[] the nature of the action so that it is qualitatively different from a copyright infringement claim.”<sup>90</sup> Indeed, practically every state cause of action will be somewhat different from a copyright cause of action and therefore, if every minor difference were to preclude preemption then Section 301(a) would be meaningless.<sup>91</sup>

The analysis of tortious interference with contractual relations in *Harper & Row Publishers v. Nation Enterprises*<sup>92</sup> is an often-cited example of applying the Section 301(a) framework. In that case, the defendant published part of President Ford’s memoirs, of which the plaintiff was the copyright owner. Consequently, the plaintiff lost potential income from a licensing agreement with a third party. The plaintiff sued for both copyright infringement and tortious interference

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<sup>87</sup> 17 U.S.C. § 301(a) (2012).

<sup>88</sup> *Id.* § 106.

<sup>89</sup> *Harper & Row Publishers v. Nation Enters.*, 723 F.2d 195, 199–200 (2d Cir. 1983) (emphasis added) (citations omitted), rev’d on other grounds, 471 U.S. 539 (1985).

<sup>90</sup> *Comput. Assocs. Int’l v. Altai, Inc.*, 982 F.2d 693, 716 (2d Cir. 1992) (emphasis omitted) (quoting *Mayer v. Josiah Wedgwood & Sons, Ltd.*, 601 F.Supp. 1523, 1535 (S.D.N.Y. 1985)).

<sup>91</sup> Christina Bohannon, *Copyright Preemption of Contracts*, 67 *Md. L. Rev.* 616, 627 (2008).

<sup>92</sup> 723 F.2d at 201.

with contractual relations.<sup>93</sup> The Second Circuit rejected the copyright infringement claim because the defendant's actions were shielded by the fair use defense.<sup>94</sup>

The tortious interference with contractual relations claim was held to be preempted by Section 301(a). The Second Circuit held that there is significant similarity between that claim and a copyright infringement claim. Indeed, it is quite common that a copyright infringer will interfere with the relationship of copyright owners and third parties. The court noted that the elements of tortious interference are not identical to those of a copyright claim because tortious interference requires the plaintiff to prove that the defendant knew about the contractual relations and copyright law does not require the plaintiff to prove any knowledge by the defendant.<sup>95</sup> The court, however, held that this difference is too insignificant and insufficient to prevent preemption.<sup>96</sup>

While courts typically agree on the general framework for applying copyright express preemption, and on the effects of the doctrine on many causes of action under state law, such as tortious interference with contractual relations, as the next Subsection explores, applying this test to breach-of-contract claims turned out to be challenging and difficult.

## *2. Express Preemption's Extra Element Test and Contractual Promises*

Applying the extra element test to breach-of-contract disputes is not trivial. While preemption analysis typically addresses an alleged conflict between a statutory or regulatory scheme of a state and that of the federal government, contracts are the result of private ordering.

There are, nevertheless, at least 279 decisions that applied preemption analysis to contractual promises. Those decisions will hereinafter be referred to as the "Preemption Decisions."<sup>97</sup> An examination of those Preemption Decisions reveals that all but a handful of them used the

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<sup>93</sup> *Id.* at 197–99.

<sup>94</sup> This part of the Second Circuit decision was later reversed by the Supreme Court. *Harper & Row Publishers v. Nation Enters.*, 471 U.S. 539, 569 (1985). The Supreme Court did not address copyright preemption.

<sup>95</sup> *Harper & Row Publishers*, 723 F.2d at 201. Lack of knowledge is not a defense for copyright infringement. In fact, copyright infringement can be subconscious. *ABKCO Music v. Harrisongs Music, Ltd.*, 722 F.2d 988, 998–99 (2d Cir. 1983).

<sup>96</sup> *Harper & Row Publishers*, 723 F.2d at 201.

<sup>97</sup> See *infra* Appendix (listing those opinions and the method in which they were identified).

extra element test. While those opinions include numerous examples of problematic reasoning, including decisions that deviated—typically without notice—from binding circuit precedents, a careful examination of those decisions points to two main approaches to the extra element test. This Article refers to one as the no-preemption approach, or the *ProCD* approach, and to the other as the facts-specific approach.

### 3. *The No-Preemption Approach*

The no-preemption approach suggests that the contractual promise is the extra element that saves contracts from preemption. In other words, because liability under the Copyright Act does not depend on the defendant's promise (or consent) and liability for breach of contract does, the two are not equivalent. This approach was first suggested in *Taquino v. Teledyne Monarch Rubber*,<sup>98</sup> in which the court enforced a promise of a former employee to refrain from using certain promotional materials of his former employer. In this case, the Fifth Circuit approved of the district court's holding that an "action for breach of contract involves an element in addition to mere reproduction, distribution or display: the contract promise made by [the defendant], therefore, it is not preempted."<sup>99</sup>

A promise is always a required element in a contractual cause of action.<sup>100</sup> Therefore, if the promise is sufficient, by itself, to be an extra element under the second prong of the express preemption analysis, then the decision in *Taquino* implies that contracts will *never* be expressly preempted by the Copyright Act.

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<sup>98</sup> I am referring here to the 1987 decision of the Western District of Louisiana, which was later adopted and attached to the Fifth Circuit decision in the same case. *Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488 (5th Cir. 1990). In the relevant part of this decision, the district court cited only one previous decision, that of the Southern District of New York in *Smith v. Weinstein*. *Id.* at 1501. However, the court in *Smith*, unlike the court in *Taquino*, did not suggest that *every* contractual claim will survive preemption. It held that a promise to pay survives preemption but also that a promise to refrain from copying might not. *Smith v. Weinstein*, 578 F. Supp. 1297, 1307 (S.D.N.Y. 1984), *aff'd*, 738 F.2d 419 (2d Cir. 1984); see also *infra* text accompanying notes 183–85. It should be noted that there are district court decisions predating *Taquino* implying that contracts are never preempted by § 301(a), but their problematic reasoning did not survive the test of time. See *infra* Subsection II.A.1.

<sup>99</sup> *Taquino*, 893 F.2d at 1501.

<sup>100</sup> Restatement (Second) of Contracts § 1 (Am. Law Inst. 1981) ("A contract is a promise or a set of promises . . .").

A similar rationale<sup>101</sup> suggests that contracts are not preempted because “[a] copyright is a right against the world. Contracts, by contrast, generally affect only their parties . . . so contracts do not create ‘exclusive rights.’”<sup>102</sup> This reasoning was first suggested in probably the most famous decision on copyright preemption: *ProCD v. Zeidenberg*.<sup>103</sup>

The no-preemption approach is supported by a well-established narrative in copyright law discourse: one that describes copyright law as a legal system that creates property rights in certain intangible goods.<sup>104</sup> This narrative—which can be traced back many decades<sup>105</sup>—focuses on

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<sup>101</sup> While the two forms of reasoning discussed in these paragraphs are phrased differently, they are actually the same side of the same coin. The extra element under the *Taquinio* reasoning—the contractual promise—is the thing that makes contractual rights inapplicable against the world, which, pursuant to the *ProCD* reasoning, makes them nonexclusive and shielded from preemption.

It should be noted that in *ProCD* the Seventh Circuit stated that “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,” *ProCD*, 86 F.3d at 1455, but, because contracts always create rights in personam, the reasoning of *ProCD* necessarily leads to the conclusion that all contracts survive preemption. The Seventh Circuit might have meant, although it did not state so explicitly, that a claim that is labeled “contractual” but is actually something else—for example, a quasi contract claim, which is actually not contractual but an unjust enrichment claim—entails a different analysis.

<sup>102</sup> *Id.* at 1454.

<sup>103</sup> *Id.*

<sup>104</sup> See Trotter Hardy, Property (and Copyright) in Cyberspace, 1996 U. Chi. Legal F. 217 (applying principles of property theory to informational works in cyberspace); Maureen A. O’Rourke, Drawing the Boundary Between Copyright and Contract: Copyright Preemption of Software License Terms, 45 Duke L.J. 479, 479–80 (1995) (describing how the conflict between copyright and contracts goes to the heart of copyright law).

<sup>105</sup> See, e.g., *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 347 (1908) (“[T]o secure the author the right to multiply copies of his work may be said to have been the main purpose of the copyright statutes.”); see also *Am. Tobacco Co. v. Werckmeister*, 207 U.S. 284, 298–99 (1907) (describing copyright law as protecting “this intangible right as a reward of the inventive genius that has produced the work”); *Stephens v. Cady*, 55 U.S. 528, 530 (1852) (“The copyright is an exclusive right . . . for the benefit of the author or his assigns . . . a property in notion.” (citation and internal quotation marks omitted)); Justin Hughes, Copyright and Incomplete Historiographies: Of Piracy, Propertization, and Thomas Jefferson, 79 S. Cal. L. Rev. 993, 1008–09 (2006) (exploring three centuries of referring to copyright law as property in both England and later in the United States). Describing copyright, or intellectual property rights in general, as property rights, does not mean that the right holder is granted absolute rights over the use of the intangible assets. While some might make this argument, typically implicitly, Professor Robert Merges accurately noted that: “Most confusion about why IP rights should not be considered rights [has] to do with absolutism. . . . This is wrong as a general matter . . . [a]nd so it is wrong with respect to the

copyright owners and the rights they have against the world as a way to incentivize creation. Property rights are generally transferable, as are intellectual property rights, which are both transferable and licensable.<sup>106</sup> In fact, transferability lies at the heart of the theoretical justification for copyright: because society provides intellectual property rights to encourage authors to invest the resources needed to create the work, it is necessary to allow them to trade those rights and receive compensation.

This property-based narrative fits well with libertarian economic ideology, which advocates greater reliance on property and contract law as a tool to facilitate market transactions and thus constrain the role of the government.<sup>107</sup> The Coase Theorem, which is at the core of the economic-analysis-of-law movement, can support a similar approach, as it suggests, at least in its simple form, that as long as transaction costs are low enough, and there are well-defined property rights, individuals will reallocate their initial rights in a way that will maximize social welfare.<sup>108</sup> Thus, because contracts improve the contracting parties' utility, without externalities (meaning that third parties are not affected), they improve social welfare and should be enforced.<sup>109</sup>

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subject matter of IP.” Robert P. Merges, What Kind of Rights Are Intellectual Property Rights?, in *The Oxford Handbook of Intellectual Property Law* \*20 (Rochelle C. Dreyfuss & Justine Pila eds., forthcoming 2017). In other words, while the following paragraphs describe how the copyright-as-property narrative can support the *ProCD* approach, one can perceive copyright as property and still hold a more restrictive view of copyright, including one that rejects the *ProCD* approach.

<sup>106</sup> See generally 17 U.S.C. § 201(d)(1) (2012) (“The ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law . . . .”); *Dr. Miles Med. Co. v. John D. Park & Sons Co.*, 220 U.S. 373, 404 (1911) (“The right of alienation is one of the essential incidents of a right of general property in movables . . . .” (internal quotations marks omitted)); 2 William Blackstone, *Commentaries* \*10 n.2 (“Upon whatever principle the right to property is founded, the power of giving and transferring seems to follow as a natural consequence . . . .”); see also Peter S. Menell & David Nimmer, *Judicial Resistance to Copyright Law’s Inalienable Right to Terminate Transfers*, 33 *Colum. J.L. & Arts* 227 (2010) (explaining how courts are reluctant to limit alienability of copyright even in those rare cases in which the Copyright Act instructs them to do so).

<sup>107</sup> This position can also be traced back centuries. See, e.g., *Printing and Numerical Registering Co. v. Sampson*, L.R. 19 Eq. 462, 465 (1875) (“[M]en of full age and competent understanding shall have the utmost liberty of contracting, and that their contracts when entered into freely and voluntarily shall be held sacred and shall be enforced by Courts of justice.”).

<sup>108</sup> R.H. Coase, *The Problem of Social Cost*, 3 *J.L. & Econ.* 1, 2–8 (1960).

<sup>109</sup> See Epstein, *supra* note 3, at 503 (“Finding a systematic negative externality generated by these restrictions [on contractual freedom] is needed for justifying their imposition.”).

The connection between these narratives and the enforceability of contracts over information goods is clear. If the purpose of copyright law is to create a property regime that rewards authors for their work, trade should be encouraged. Therefore, creative contracting over copyrighted goods, which allows authors to form specific income-maximizing arrangements, is socially desirable as promoting the goals of copyright law. In fact, in a 2005 article defending his *ProCD* ruling, Judge Easterbrook explicitly relied on the Coase Theorem and argued that “[p]atent law, copyright law, trademark law, and the law of contracts . . . create or employ property rights in information.”<sup>110</sup> Judge Easterbrook further explained that “although one can say that property rights in information are social constructs, so are property rights in cattle. *They set the stage for contracts; they do not prevent contracts.*”<sup>111</sup>

#### 4. *The Facts-Specific Approach*

In contrast with the no-preemption approach, some courts rejected “the proposition that all state law contract claims survive preemption simply because they involve the additional element of promise”<sup>112</sup> Under this approach—supported by *Nimmer on Copyright*<sup>113</sup>—the court should examine the contract and explore if it is qualitatively different from a copyright infringement claim. More specifically, the court should examine whether the promise only regulates an action that is part of the exclusive rights: reproduction, adaptation, distribution, or public performance or display of the work. If it does, it is preempted.<sup>114</sup>

Two Sixth Circuit decisions demonstrate this approach. In *Wrench LLC v. Taco Bell Corp.*, the court analyzed the preemption of a *Desny* claim.<sup>115</sup> Specifically, the court considered whether an implied-in-fact

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<sup>110</sup> Easterbrook, *supra* note 14, at 961–62.

<sup>111</sup> *Id.* at 964 (emphasis added).

<sup>112</sup> *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 457 (6th Cir. 2001).

<sup>113</sup> 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 1.01[B][1][a][i] (2009).

<sup>114</sup> *Wrench*, 256 F.3d at 457 (“If the promise amounts only to a promise to refrain from reproducing, performing, distributing or displaying the work, then the contract claim is preempted.”); Nimmer et al., *supra* note 3, at 48 (“[W]hen a breach of contract cause of action . . . is used as a subterfuge to control nothing other than the reproduction, adaptation, public distribution, etc., of works within the subject matter of copyright, then it too should be deemed preempted.”).

<sup>115</sup> *Wrench*, 256 F.3d at 449–51, 453–59.

contract that allegedly required the defendant to pay the plaintiff if the defendant used the plaintiff's ideas for an advertising campaign was preempted. The Sixth Circuit expressly rejected the *ProCD* reasoning and the no-preemption approach, and instead examined the contractual promise itself. The Court concluded that because the promise was a promise to pay, because payment (or the right to be paid) is not an exclusive right, and because the promise "change[d] the nature of the action so that it is qualitatively different from a copyright infringement claim," the promise was not preempted.<sup>116</sup>

In contrast, in *Ritchie v. Williams*, the defendant allegedly breached a promise to assign certain copyrighted songs to the plaintiff by assigning them to a third party.<sup>117</sup> The Sixth Circuit held that because the contract regulates the distribution and public performance of copyrighted works, and because those are exclusive rights under the Copyright Act, the plaintiff's contractual claim was preempted.<sup>118</sup>

The facts-specific approach is also supported by a well-established narrative in copyright law discourse: the delicate-balance narrative. This narrative, which also traces back many decades,<sup>119</sup> perceives copyright law as a system that creates a "delicate balance" between the competing interests of authors and publishers, who might seek stronger market

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<sup>116</sup> *Id.* at 456–58.

<sup>117</sup> 395 F.3d 283, 287 (6th Cir. 2005).

<sup>118</sup> *Id.* at 287–88.

<sup>119</sup> See, e.g., *Kirtsaeng v. John Wiley & Sons*, 136 S. Ct. 1979, 1982 (2016) ("[T]he well-settled objectives of the Copyright Act . . . are to enrich the general public through access to creative works by striking a balance between encouraging and rewarding authors' creations and enabling others to build on that work." (internal quotation marks omitted)); *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417, 429 (1984) ("Congress[']s . . . task involves a difficult balance between the interests of authors . . . 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 . . ."); *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) ("The limited scope of the copyright holder's statutory monopoly . . . reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts."); *Cary v. Longman* [1801] 102 Eng. Rep. 138, 140 n.(b) (explaining that the law should balance between the need to give author proper compensation but also guarantee public access to the work); Robert A. Gorman, *Copyright Protection for the Collection and Representation of Facts*, 76 *Harv. L. Rev.* 1569, 1571 (1963) ("[C]opyright law represents a balance of the individual's interest in reaping the fruits of his intellectual efforts and the public's interest in having his works disseminated.").

power, and users, who seek affordable, easy access to protected works.<sup>120</sup>

The influence of the delicate-balance narrative on the facts-specific approach is apparent: if copyright law reflects a delicate balance of interests, courts should be hesitant to allow the parties to deviate from these arrangements. Perceiving this balance as nothing more than default rules seems undesirable. Moreover, because copyright owners draft many of the contracts that deviate from the norms of copyright law, these contracts seem to reflect a systematic departure from this delicate balance. It is therefore not surprising that the delicate-balance narrative is commonly used by proponents of the facts-specific approach.<sup>121</sup>

## II. THE FAILURE OF THE FACTS-SPECIFIC APPROACH

Courts currently use one of two main approaches—the no-preemption approach or the facts-specific approach—to resolve disputes over copyright preemption of contracts. Close examination, however, reveals that since the Seventh Circuit decision in *ProCD* in 1996, the no-preemption approach has been gradually gaining ground, becoming the dominant approach among federal courts. This Part first describes the historic developments in the case law. It explains the significance of the *ProCD* decision, focusing on the harsh criticism it received from commentators. It then explores the development in the last twenty years, in which *ProCD*'s no-preemption approach was gradually adopted, sometimes explicitly and sometimes implicitly, in more jurisdictions. Finally, this Part explains why the facts-specific approach failed, suggesting that it offered courts a cumbersome, complex, and extremely inaccurate way to identify troubling contracts; it is therefore not surprising that it was rejected.

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<sup>120</sup> The narrative does not only suggest that copyright law, as a whole, creates “a delicate balance” but that specific doctrines within copyright law reflect that balance too. For example, in one case, the Supreme Court suggested that the detailed statutory rules regarding public performance as well as the rules regarding the length of copyright protection reflect this balance. *Twentieth Century Music Corp.*, 422 U.S. at 156. In another case, the Second Circuit held that the tests regarding substantial similarity, which were all set by judicial precedents, reflect this “delicate balance.” *Warner Bros. v. Am. Broad. Cos.*, 720 F.2d 231, 245 (2d Cir. 1983).

<sup>121</sup> See, e.g., Viva R. Moffat, *Super-Copyright: Contracts, Preemption, and the Structure of Copyright Policymaking*, 41 U.C. Davis L. Rev. 45, 94–95 (2007); Nimmer et al., *supra* note 3, at 19–23.

*A. The Broad Adoption of the No-Preemption Approach*

This Section explores the historic developments in copyright preemption of contracts analysis. It suggests that prior to the mid-1990s the case law was murky with contradictory decisions. In the mid-1990s, and especially in connection with the Seventh Circuit's 1996 decision in *ProCD*, the lines were drawn and the two main approaches—the no-preemption approach and the facts-specific approach—were more clearly articulated by courts. Scholars have noted that phenomenon, and the vast majority of them harshly criticized the no-preemption approach and cautioned about the potentially catastrophic results for copyright policy if courts were to adopt this view broadly. This, some of them warned, would be the death of copyright. Nevertheless, in the last twenty years courts seem to have largely ignored those warnings. Indeed, a full examination of the current state of the law in multiple jurisdictions seems to suggest that the no-preemption approach is currently the dominant one.

*1. Pre-ProCD Case Law*

One can trace the no-preemption and the facts-specific approaches back decades. However, prior to 1996, the case law was exceptionally murky, and it often relied on problematic analysis, and, at times, far-reaching statements.

In *Rachel v. Banana Republic*, for example, the U.S. District Court for the Northern District of California considered a “contract [that] essentially replicate[d] certain protections provided under federal copyright law.”<sup>122</sup> The court relied on the House Report that addressed Section 301 and concluded that “Congress apparently did not intend by the above statute [Section 301] to bar parties from seeking enforcement of such a contract.”<sup>123</sup> Relying on that House Report is problematic, however, because the version of Section 301 before the House at the time was significantly different from the version that was eventually enacted. The House Report was based on an earlier draft that expressly

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<sup>122</sup> No. C-85-3786-MPH, 1985 WL 26030, at \*6 (N.D. Cal. Nov. 26, 1985), aff'd in part, rev'd in part, 831 F.2d 1503 (9th Cir. 1987).

<sup>123</sup> Id.

stated that contracts should not be preempted.<sup>124</sup> Nevertheless, *Rachel*, as well as a few other decisions from that era, seems to imply that contracts are not subject to preemption.<sup>125</sup>

The analysis by courts that did find contracts preempted was also typically lacking. For example, in *Acorn Structures v. Swantz*, the Western District of Virginia held that an implied-in-fact contract over the use of architectural plans was preempted because contracts over the use of ideas are always preempted,<sup>126</sup> which is likely an overreaching statement. Other courts found contracts preempted because they did not include extra elements that were “qualitatively different” from copyright law, typically without much explanation as to what makes a provision “qualitatively different” or not.<sup>127</sup>

The four decisions from that period by federal circuit courts, while providing more guidance, were still at times unclear. The Fourth Circuit delivered two conflicting and challenging decisions in that era. In 1988, in *Acorn Structures v. Swantz*, the court held that a contract was not preempted because it was not within the subject matter of copyright law,<sup>128</sup> an unusual position that was never followed by other federal appellate courts.<sup>129</sup> This implies that contracts are never preempted. In 1993, however, in *Takeall v. Pepsico*,<sup>130</sup> the Fourth Circuit held that a

<sup>124</sup> See H.R. Rep. No. 94-1476, at 132 (1976), as reprinted in 1976 U.S.C.C.A.N. 5659, 5750 (discussing “[t]he examples in clause[301(b)](3)” that “illustrate rights and remedies that are different in nature from the rights comprised in a copyright and that may continue to be protected under State common law or statute”); H.R. Rep. No. 94-1733, at 78–79 (1976) (Conf. Rep.), as reprinted in 1976 U.S.C.C.A.N. 5809, 5819–20 (explaining that the version of the bill that was passed by the Senate included “section 301(b)(3) [which] preserved rights under State law with respect to activities violating rights that are not equivalent to any of the exclusive rights within the general scope of copyright, ‘including . . . breaches of contract,’” but that “[t]he House bill deleted the clause of section 301(b)(3) enumerating illustrative examples of causes of action,” and that in conference it was decided to “adopt[] the House amendment of section 301”).

<sup>125</sup> See, e.g., *Ronald Litoff, Ltd. v. Am. Express Co.*, 621 F. Supp. 981, 986 (S.D.N.Y. 1985); *Nobel v. Bangor Hydro-Elec. Co.*, 584 A.2d 57, 58 (Me. 1990); *Meyers v. Waverly Fabrics*, 479 N.E.2d 236, 237–38 (N.Y. 1985).

<sup>126</sup> 657 F. Supp. 70, 74–75 (W.D. Va. 1987), rev’d, 846 F.2d 923, 926 (4th Cir. 1988).

<sup>127</sup> See, e.g., *Pytko v. Van Alen*, No. 92-1610, 1992 WL 129632, at \*3–4 (E.D. Pa. June 8, 1992) (citation omitted); *Wolff v. Inst. of Elec. & Elecs. Eng’rs*, 768 F. Supp. 66, 69 (S.D.N.Y. 1991) (citation omitted).

<sup>128</sup> 846 F.2d at 926.

<sup>129</sup> See supra note 86 and accompanying text.

<sup>130</sup> No. 93-1237, 1993 WL 509876 (4th Cir. Dec. 8, 1993) (per curiam) (unpublished opinion).

*Desny* claim is preempted because “the rights sought to be vindicated are equivalent to any right encompassed by copyright,”<sup>131</sup> thus adopting the facts-specific approach. The reasoning in both opinions was exceptionally short. The second of those opinions, *Takeall*, did not even notice the tension with *Acorn Structures* and did not cite it.

As noted above, the 1990 Fifth Circuit decision in *Taquino v. Teledyne Monarch Rubber*,<sup>132</sup> adopting and attaching a 1987 decision of the Western District of Louisiana, was the first appellate court decision that clearly laid down the no-preemption approach, suggesting that a contractual promise is an extra element for the purpose of a Section 301(a) analysis, which de facto means that contracts are never to be preempted by Section 301(a).<sup>133</sup>

The last pre-*ProCD* federal appellate court decision was, and still is, a source of great confusion. In *National Car Rental System v. Computer Associates International*, the contract provided that the buyer of commercial software would use the software for processing its data but not the data of third parties.<sup>134</sup> The district court used reasoning that is similar to the modern facts-specific approach and held that the contract was preempted because it controlled the distribution of copyrighted goods.<sup>135</sup> The Eighth Circuit reversed, holding that the contractual limitation was different from a limitation on distribution and therefore the contract was not preempted.<sup>136</sup> In other words, the Eighth Circuit did not hold that all contracts are shielded from preemption, but that the one at bar was. The process of doing so, and especially the court’s implicit acceptance of the rule used by the district court (but not its application), suggests that the court accepted that contracts can sometimes be preempted by copyright. This early decision thus implicitly adopted the facts-specific approach. Unfortunately, over time, courts have focused on the result of the decision—no preemption—and not its reasoning, and

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<sup>131</sup> *Id.* at \*1, \*7.

<sup>132</sup> 893 F.2d 1488 (5th Cir. 1990).

<sup>133</sup> See *supra* text accompanying notes 98–100.

<sup>134</sup> 991 F.2d 426, 427–28 (8th Cir. 1993).

<sup>135</sup> *Nat’l Car Rental Sys. v. Comput. Assocs. Int’l*, No. 3-91-321, 1992 WL 5959, at \*4 (D. Minn. Jan. 17, 1992), *rev’d*, 991 F.2d 426, 427 (8th Cir. 1993).

<sup>136</sup> *Nat’l Car Rental Sys.*, 991 F.2d at 431–33.

it is often erroneously cited as one supporting the no-contract preemption approach.<sup>137</sup>

## 2. *The 1996 Case Law: ProCD and the Reactions Thereto*

At least in hindsight, 1996 was an important year in the development of contract preemption case law. Several significant decisions that would influence the development of the law for years to come were delivered weeks apart. Those include, on top of *ProCD*, two highly cited decisions of the Southern District of New York.

In April 1996, Judge Allen Schwartz delivered his opinion in *American Movie Classics v. Turner Entertainment Co.* on the preemption of a contractual promise to refrain from publicly displaying certain films.<sup>138</sup> The court examined the legislative history of the Copyright Act's express preemption provision, noticed that "several cases stat[ed] that breach of contract claims are generally not preempted" but also that "there is also persuasive authority indicating that breach of contract claims should be preempted in certain circumstances," and held that "[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)."<sup>139</sup> This decision is often cited by proponents of the facts-specific preemption approach.<sup>140</sup>

A few months later, in August, Judge Michael Mukasey delivered his opinion in *Architectronics v. Control Systems* on the preemption of a

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<sup>137</sup> This mistake probably resulted from *ProCD*, 86 F.3d at 1454 ("[A]re rights created by contract 'equivalent to any of the exclusive rights within the general scope of copyright'?" Three courts of appeals have answered 'no.'" (citing, among others, *Nat'l Car Rental Sys.*, 991 F.2d at 433)). This mistake became common in the following years. See, e.g., *MDY Indus., LLC v. Blizzard Entm't*, 629 F.3d 928, 957 (9th Cir. 2010); *Altera Corp. v. Clear Logic*, 424 F.3d 1079, 1089 (9th Cir. 2005); *Bowers v. Baystate Techs.*, 320 F.3d 1317, 1324 (Fed. Cir. 2003); *Micro Focus (US) v. Genesys Software Sys.*, No. 14-14049-NMG, 2015 WL 1523606, at \*3 (D. Mass. Apr. 3, 2015). But see, e.g., *Issaenko v. Univ. of Minn.*, 57 F. Supp. 3d 985, 1028 (D. Minn. 2014) (noting that *Nat'l Car Rental Sys.*, 991 F.2d at 433, implies that some contracts would be preempted).

<sup>138</sup> 922 F. Supp. 926, 929 (S.D.N.Y. 1996).

<sup>139</sup> *Id.* at 931.

<sup>140</sup> See, e.g., *BanxCorp v. Costco Wholesale Corp.*, 723 F. Supp. 2d 596, 614–17 (S.D.N.Y. 2010); *eScholar, LLC v. Otis Educ. Sys.*, 387 F. Supp. 2d 329, 332–33 (S.D.N.Y. 2005); *Wrench LLC v. Taco Bell Corp.*, 51 F. Supp. 2d 840, 848–53 (W.D. Mich. 1999).

contractual promise regarding the development of derivative works and their distribution.<sup>141</sup> The court, in a long and detailed opinion, held that a “breach of contract . . . is not equivalent to copyright protection because a contract claim requires an ‘extra element’ that renders the claim qualitatively different from a claim for copyright infringement: a promise by the defendant.”<sup>142</sup> This decision is also widely cited, especially by those who adopt the no-contract preemption approach.<sup>143</sup>

In June 1996, in between those two decisions, the Seventh Circuit released its renowned decision in *ProCD v. Zeidenberg*, holding that contracts are not preempted by the Copyright Act.<sup>144</sup> As the discussion above suggests, *ProCD* was not the first decision to hold that contracts are shielded from preemption, but it turned out to be one of the most influential opinions by a federal circuit court. For example, it was cited thousands of times, including by more than 1,200 law review articles.<sup>145</sup>

There could be many reasons for the attention that *ProCD* received throughout the years and especially at the end of the 1990s. It might be attributed to Judge Easterbrook’s fandom, his clear framing of the broad no-preemption approach, his extensive use of policy analysis and especially law-and-economics reasoning within his opinion, or the novelty of the opinion with respect to contract acceptance.<sup>146</sup> The historic context in which *ProCD* was decided might, however, provide the best explanation.

*ProCD* was decided at a time of larger-than-usual uncertainty over the scope of copyright law and related doctrines. Some at the time thought that the rising of the digital age would cause massive harm to copyright industries, while others believed that the digital age, and especially the

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<sup>141</sup> 935 F. Supp. 425, 429–30 (S.D.N.Y. 1996).

<sup>142</sup> *Id.* at 438 (citation omitted).

<sup>143</sup> See, e.g., *Frontline Test Equip. v. Greenleaf Software*, 10 F. Supp. 2d 583, 592–93 (W.D. Va. 1998); *Expeditors Int’l of Wash., v. Direct Line Cargo Mgmt. Servs.*, 995 F. Supp. 468, 483–84 (D.N.J. 1998).

<sup>144</sup> 86 F.3d at 1454–55.

<sup>145</sup> As of July 2017, Westlaw lists 1,251 law review articles that cited *ProCD* and HeinOnline lists 1,351.

<sup>146</sup> In a part of the *ProCD* opinion that is not the focus of this Article, Judge Easterbrook held that buyers are bound by contractual terms that are inside the box of a product they purchase, even if those terms are not available at time of payment, so long as the product can be returned. 86 F.3d at 1452–53. This part of the opinion was and still is controversial. See, e.g., Marotta-Wurgler, *supra* note 39, at 314–17 (describing the various positions of courts and scholars on this issue).

reaction of the copyright industries and legislators to that age, could significantly shrink the public domain. This Article cannot explore all the events, reactions, and debates of the late 1990s around the scope of copyright protection, licenses, encryption, fair use, and related state law doctrines, but it might be worth just mentioning a few of the important developments of those days.

The spread of the Internet in the 1990s caused a sudden leap in access to and ability to share information globally. Some of the milestones of the era include the release of successful Internet browsers, starting with Mosaic in 1993 and Netscape in 1994, the improvement in the delivery methods of digital information goods, such as the invention of the MP3 algorithm in the early 1990s and the introduction of portable MP3 players in 1998, and the launching of Napster in 1999.<sup>147</sup> Copyright law—a legal system that centers around the ability of right-holders to control, at least partly, the distribution of information goods—was naturally affected by those developments. Some of the important legal developments of the era included the failed attempt to add Article 2B to the Uniform Commercial Code and later to enact the Uniform Computer Information Transactions Act (“UCITA”),<sup>148</sup> the passage of the Digital

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<sup>147</sup> See generally Key Milestones in the Development of Internet, San Diego Union-Trib. (Aug. 31, 2009, 5:37 AM), <http://www.sandiegouniontribune.com/sdut-us-tec-internet-40-timeline-083109-2009aug31-story.html>; Paul Strauss, History of Music Players, Technabob (Feb. 8, 2007), <https://technabob.com/blog/2007/02/08/a-brief-history-of-portable-media-players> [<https://perma.cc/ABC2-HP3J>].

<sup>148</sup> Article 2B of the Uniform Commercial Code was proposed by the American Law Institute (“ALI”) and the National Conference of Commissioners on Uniform State Laws (“NCCUSL”) in 1997, after years of negotiation to “deal[] with transaction in information [] focus[ing] on transactions relating to copyright industries.” Uniform Commercial Code Article 2B Licenses (Nat’l Conference of Comm’rs on Unif. State Laws, Draft July 25–Aug. 1, 1997), [http://www.uniformlaws.org/shared/docs/computer\\_information\\_transactions/2b/uc2bam97.pdf](http://www.uniformlaws.org/shared/docs/computer_information_transactions/2b/uc2bam97.pdf) [<https://perma.cc/9LU2-Q934>]. The proposal was controversial, partly because it allegedly provided too strong of a protection to the interests of service providers and too weak of a protection to information goods users. Deborah Tussey, UCITA, Copyright, and Capture, 21 *Cardozo Arts & Ent. L.J.* 319, 324 (2003). In 1999, ALI withdrew its support from this project, which led NCCUSL to “rename[] former Article 2B as the Uniform Computer Information Act [(“UCITA”)] and release[] it for adoption by the states as a freestanding uniform act.” *Id.* That attempt also failed, as only two states—Maryland and Virginia—adopted UCITA, which, in 2003, led NCCUSL to abandon its efforts to promote the act. *Id.* at 324–25.

Millennium Copyright Act (“DMCA”) in 1998,<sup>149</sup> and the passage of the Copyright Term Extension Act (“CTEA”) in 1998.<sup>150</sup>

*ProCD* was, therefore, a decision that might have seemed to be part of a greater enclosure movement threatening the public domain.<sup>151</sup> Whether or not *ProCD* was perceived in this way, most commentators, including some of the most prominent copyright scholars at the time, harshly criticized *ProCD* and warned courts of the dire consequences of broadly adopting it.

In one important article, Professor David Nimmer, the author of the influential treatise *Nimmer on Copyright*, and his coauthors argued that “[a]ttempts to alter the ‘delicate balance’ through contract should fail under the doctrine of preemption.”<sup>152</sup> They cautioned of “the death of copyright” by providing “a short, cautionary tale.”<sup>153</sup> The tale pictured a dystopian future, taking place in the year 2010(!), in which every act of consumption of any information good is controlled by a big-brother-like technology. This system contractually binds the user to a set of limitations “designed to magnify the rights of proprietors.”<sup>154</sup> Nimmer and his coauthors concluded that under the Seventh Circuit’s approach

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<sup>149</sup> The Copyright Office described this act as “the foundation of an effort by Congress to implement United States treaty obligations and to move the nation’s copyright law into the digital age.” U.S. Copyright Officer, DMCA Section 104 Report (Aug. 2001), <https://www.copyright.gov/reports/studies/dmca/sec-104-report-vol-1.pdf> [<https://perma.cc/AR4M-ECQS>]. The DMCA includes five main reforms, including the enactment of § 1201, which prohibits the circumvention of technological protection measures, and § 512, which provides important safe harbors for Internet Service Providers. *Id.*

<sup>150</sup> The Act, also known as the Sonny Bono Act and, unofficially, as the Mickey Mouse Act, extended the term of copyright protection, for new as well as existing protected works, by twenty years. For several reasons the CTEA was very controversial: the extension was not required by international law, it was heavily lobbied for by the copyright industries and especially the Walt Disney Corporation, its enactment process included statements about the need to make copyright protection perpetual, and more. For some, the passage of the CTEA symbolized the capture of Congress by the copyright industries and a march toward perpetual copyright. In *Eldred v. Ashcroft*, 537 U.S. 186 (2003), the Supreme Court rejected a challenge to the constitutionality of the CTEA.

<sup>151</sup> See James Boyle, *The Second Enclosure Movement and the Construction of the Public Domain*, 66 *L. & Contemp. Probs.* 33, 38, 42 (2003) (describing how certain legal developments of the time, including the enactment of the DMCA and the CTEA, threaten the public domain; Boyle did not specifically address *ProCD*).

<sup>152</sup> Nimmer et al., *supra* note 3, at 19.

<sup>153</sup> *Id.* at 20 (capitalization omitted).

<sup>154</sup> *Id.*

“virtually every other court decision ever to rule in a defendant’s favor,” and in particular every fair use decision, can be nullified.<sup>155</sup>

Professor Wendy Gordon suggested that “[i]n contract’s march to conquer copyright, *ProCD* constitutes a victory for contract so complete that it threatens copyright’s very ability to mount a defense.”<sup>156</sup> Professor Mark Lemley warned about the ubiquity of standard-form agreements as a way to substitute or replace copyright law.<sup>157</sup> He listed eight categories of contracts that, if not preempted, would be inconsistent with copyright policy, such as contracting around fair use, including “no-parody” provisions, and contracts that prevent users from upgrading their computers.<sup>158</sup>

Nimmer, Gordon, and Lemley are, of course, not alone. In a mass of articles and books starting shortly after the *ProCD* opinion and continuing to present day, commentator after commentator criticized the decision and pointed to the potential danger it entails to copyright policy.<sup>159</sup> One leading copyright law casebook noted that “[t]he majority of commentators disagreed vehemently with both *ProCD*’s contract and copyright law holdings,”<sup>160</sup> and Professor Randal Picker concluded that “*ProCD* is the opinion that the copyright casebooks love to hate.”<sup>161</sup>

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<sup>155</sup> *Id.* at 55–56.

<sup>156</sup> Gordon, *supra* note 14, at 1378 (footnote omitted).

<sup>157</sup> Lemley, *supra* note 3, at 148–49 (1999) (“[S]ince one must necessarily have access to a work to make any use of it, a contract premised on access could presumably be imposed in every case.”).

<sup>158</sup> *Id.* at 128–32.

<sup>159</sup> There are a few dozen law review articles and books that made such claims, and I cannot, of course, list them all. A partial list includes Radin, *supra* note 3, at 172 (suggesting that if contracts over copyrighted goods are always enforceable, a “copyright holder can market its works with a clause cancelling fair use and other user rights. This capability destroys, or at least destabilizes, the commitment enacted in legislation that is meant to secure a solution to the original problem,” namely that “user rights should be treated as at least partially market-inalienable”); Joseph P. Bauer, Addressing the Incoherency of the Preemption Provision of the Copyright Act of 1976, 10 *Vand. J. Ent. & Tech. L.* 1, 62–63 (2007) (criticizing the *ProCD* analysis as “incomplete” because it affords “a cause of action that the Copyright Act affirmatively withheld”); Benkler, *supra* note 3, at 429–35 (“The practical effect of the decision to enforce mass market information licenses is that more uses of information will be prohibited to more people.”); and Bohannon, *supra* note 91, at 635 (criticizing *ProCD*’s “categorical notion that contracts affect only their parties” and arguing that this “one-size-fits-all approach to preemption is inconsistent with preemption doctrine”).

<sup>160</sup> Julie E. Cohen et al., *Copyright in a Global Information Economy* 755 (3rd ed. 2010).

<sup>161</sup> Randal C. Picker, Easterbrook on Copyright, 77 *U. Chi. L. Rev.* 1165, 1178 (2010).

### 3. *Post-ProCD Case Law: Courts Ignore the Scenarios of Doom*

Professor Picker is probably right in noting that “*ProCD* is the opinion that the copyright casebooks love to hate,” but *ProCD* is also an opinion that most courts, especially circuit courts, love to love. Indeed, in the last twenty years, the clear majority of courts, and almost all federal courts of appeal, chose the no-preemption rule over the facts-specific one. This Subsection explores the current state of the law in the various circuit courts and shows that *ProCD*’s no-preemption approach is currently the dominant one.

#### *a. Five Appellate Courts Adopted the No-Preemption Approach*

In the last twenty years the no-preemption rule was repeatedly adopted by the Fifth,<sup>162</sup> Seventh,<sup>163</sup> and Eleventh Circuits,<sup>164</sup> as well as the Federal Circuit (applying First Circuit law).<sup>165</sup>

The precedent of the Ninth Circuit—which is considered, together with the Second Circuit, the leading circuit court in developing copyright law<sup>166</sup>—seems to support the no-preemption approach,

<sup>162</sup> As already noted in Subsection I.B.2.a, the no-preemption approach was adopted by the Fifth Circuit six years prior to *ProCD*. *Taquino*, 893 F.2d at 1501 (suggesting that promise is an extra element). The court reiterated this position a few years ago in *Real Estate Innovations v. Hous. Ass’n of Realtors*, 422 F. App’x. 344, 349 (5th Cir. 2011).

<sup>163</sup> *ProCD*, 86 F.3d at 1454 (suggesting that contractual rights are not exclusive and thus not preempted).

<sup>164</sup> *Utopia Provider Sys. v. Pro-Med Clinical Sys.*, 596 F.3d 1313, 1327 (11th Cir. 2010) (“To succeed on its breach of contract claims, [the plaintiff] must prove a valid license agreement, which constitutes an ‘extra element . . . .’”); *Lipscher v. LRP Publ’ns*, 266 F.3d 1305, 1318 (11th Cir. 2001) (citing *ProCD* and noting that “[a]s the Seventh Circuit has stated, claims involving two-party contracts are not preempted because contracts do not create exclusive rights, but rather affect only their parties. . . . We find the Seventh Circuit’s reasoning to be persuasive”).

<sup>165</sup> *Bowers v. Baystate Techs.*, 320 F.3d 1317, 1325 (Fed. Cir. 2003) (“This court believes that the First Circuit would follow the reasoning of *ProCD* and the majority of other courts to consider this issue. This court, therefore, holds that the Copyright Act does not preempt Mr. Bowers’ contract claims.”). The Federal Circuit in such circumstances applies the precedent of the circuit from which the case emerged, and in *Bowers* it was the First Circuit. However, the First Circuit never addressed the topic. See *Santa-Rosa v. Combo Records*, 471 F.3d 224, 226 (1st Cir. 2006) (“We have never squarely decided the question of whether a simple breach of contract action that only seeks damages would be preempted by the Copyright Act. We need not do so today . . . .”).

<sup>166</sup> Mark A. Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 *Duke L.J.* 147, 161 (1998).

although the Ninth Circuit's case law is, at times, vague. In *Montz v. Pilgrim Films & Television*, an en banc panel of the Ninth Circuit held that a promise to pay for an idea (in a *Desny* claim), as well as a promise not to use an idea, are not preempted.<sup>167</sup> The court used broad language and suggested that in the case at bar the promises themselves are the extra elements. The decision favorably quoted the Seventh Circuit's *ProCD* opinion and stressed that a contractual promise "is a personal one, between the parties," rendering the contract "unlike a copyright that is a public monopoly."<sup>168</sup> The decision, however, did not *expressly* state that *every* contractual promise will be an extra element.

Other decisions of the Ninth Circuit similarly rejected the preemption claim of defendants while tending to stress the private nature of contractual promises. The Ninth Circuit in those decisions, however, did not expressly and clearly adopt the no-preemption approach, as other appellate courts did.<sup>169</sup> Unfortunately, some Ninth Circuit decisions favorably cite older decisions from other circuits that adopted the no-preemption approach, as well as decisions that adopted the facts-specific approach, typically without noticing those differences.<sup>170</sup> In other cases,

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<sup>167</sup> 649 F.3d 975, 977 (9th Cir. 2011) (en banc).

<sup>168</sup> *Id.* at 980.

<sup>169</sup> See, for example, the latest decision from the Ninth Circuit on this matter in *Ryan v. Editions Ltd. West*, 786 F.3d 754 (9th Cir. 2015). In discussing preemption, the court stated that "a contractually-based claim generally possesses the extra element necessary to remove it from the ambit of the Copyright Act's express preemption provision," *id.* at 761, thus reflecting the no-preemption approach but tainting it with the adjective "generally," possibly suggesting that there may be cases in which contracts will be preempted, which seems inconsistent with the en banc decision in *Montz*. The court did not address that issue, and, therefore, it is hard to place significant weight on its use of the word "generally." See also *Benay v. Warner Bros. Entm't*, 607 F.3d 620, 629 (9th Cir. 2010) (rejecting a preemption claim but not explicitly holding that all contracts are shielded from preemption); *Grosso v. Miramax Film Corp.*, 383 F.3d 965, 968 (9th Cir. 2004) (same); *Star Patrol Enters. v. Saban Entm't*, 1997 WL 683327, at \*3 (9th Cir. 1997) ("Rights created by contract do not create exclusive rights and thus a claim for inducing breach of contract is *normally* not equivalent to the rights within the scope of the Copyright Act." (emphasis added)).

<sup>170</sup> For example, in *Altera Corp. v. Clear Logic*, 424 F.3d 1079, 1089 (9th Cir. 2005), the Ninth Circuit stated that "[m]ost courts have held that the Copyright Act does *not* preempt the enforcement of contractual rights. . . . We find the logic of these cases persuasive here." On one hand, this seems to be a full, unqualified adoption of the no-preemption approach as held by the Seventh Circuit in *ProCD*, to which the Ninth Circuit referred. On the other hand, one of the decisions that the Ninth Circuit cited in that passage was the Eighth Circuit's decision in *National Car Rental Systems*, 991 F.2d at 431–32, which actually used an early version of the facts-specific approach. While this is not the only decision to suggest, erroneously, that *National Car Rental Systems* adopted the no-preemption approach, the

the Ninth Circuit inappropriately commingled decisions that discussed a breach-of-contract cause of action with those that addressed claims for tortious interference with contractual relations, although the two are fundamentally different.<sup>171</sup> Nevertheless, and while the case law in the Ninth Circuit could have been much clearer than it is, there is no final decision of a Ninth Circuit panel that held a contract preempted by the Copyright Act, nor has a final decision of this court even analyzed the nuances of the contract itself in order to reject a preemption claim. The only decision of a Ninth Circuit panel that did analyze the nuances of the contractual promise to find a part of it preempted was vacated shortly thereafter by an en banc panel of the court.<sup>172</sup> Therefore, it seems reasonable to conclude that, at least implicitly, the Ninth Circuit has adopted the no-preemption approach.<sup>173</sup>

*b. The Sixth Circuit Adopts the Facts-Specific Approach*

The Sixth Circuit is the only federal appellate court that *expressly* rejected *ProCD*'s no-preemption approach and adopted the facts-specific approach.<sup>174</sup> The nuances of the Sixth Circuit case law were

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Ninth Circuit conclusion—"[w]e find the logic of these cases persuasive"—is somewhat ambiguous. There was more than one "logic" in "these cases."

<sup>171</sup> In *Altera Corp.*, the court discussed the preemption of contracts, citing several decisions on this matter, although the cause of action before it was actually tortious interference with contracts. 424 F.3d at 1081, 1089–90. In *MDY Industries v. Blizzard Entertainment*, 629 F.3d 928, 957–58 (9th Cir. 2010), the Ninth Circuit decided a preemption of tortious interference claim using a preemption of contracts case law.

<sup>172</sup> *Montz v. Pilgrim Films & Television*, 606 F.3d 1153, 1157–58 (9th Cir. 2010), rev'd on reh'g en banc, 649 F.3d 975 (9th Cir. 2011).

<sup>173</sup> It should be noted that, while most district courts within the Ninth Circuit jurisdiction typically reject preemption of contracts claims, there are still courts within this jurisdiction that apply the facts-specific approach. For example, in three unpublished decisions of the Central District of California that were delivered after the Ninth Circuit en banc decision in *Montz*, the district court held a contract preempted by the Copyright Act, without even addressing the Ninth Circuit opinions on this matter. *Taylor v. Universal Music Corp.*, No. CV1207507RGKAJWX, 2013 WL 12136369, at \*2–3 (C.D. Cal. Mar. 19, 2013); *Ass'n for Info. Media & Equip. v. Regents of the Univ. of Cal.*, No. 2:10-CV-09378-CBM, 2012 WL 7683452, at \*10 (C.D. Cal. Nov. 20, 2012); *Ass'n for Info. Media & Equip. v. Regents of the Univ. of Cal.*, No. CV 10-9378 CBM MANX, 2011 WL 7447148, at \*8 (C.D. Cal. Oct. 3, 2011).

<sup>174</sup> *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 456 (6th Cir. 2001); see also *Lynn v. Sure-Fire Music Co.*, 237 F. App'x. 49, 54 (6th Cir. 2007); *Ritchie v. Williams*, 395 F.3d 283, 287–88 (6th Cir. 2005).

already explored in Section I.B.<sup>175</sup> The crux of the Sixth Circuit approach is that the contractual promise cannot, by itself, be the extra element. Under this approach, a contract within the subject matter of copyright that only regulates an action that is one of the exclusive rights, such as copying or distribution, is preempted. The Sixth Circuit is the *only* federal appellate court in the last twenty years to find a contract actually preempted by the Copyright Act.<sup>176</sup>

*c. Courts That Did Not Choose Which Approach to Adopt*

Several appellate courts—such as the Third Circuit and the Tenth Circuit—have never ruled on the preemption of contracts by the Copyright Act. Other federal appellate courts have ruled on the issue but still refrained from choosing the no-preemption or the facts-specific approach.

The most striking example is the Second Circuit, which is considered, together with the Ninth Circuit, the leading appellate court in developing copyright law.<sup>177</sup> The lack of a leading precedent in the Second Circuit is especially surprising because copyright preemption of contracts was discussed by district courts within the Second Circuit at least forty-six times, including at least thirty-nine times by the Southern District of New York (“S.D.N.Y.”)—more than any other court in the country.<sup>178</sup> The numerous decisions of the S.D.N.Y. are almost evenly split between the two approaches. In fact, as already mentioned,<sup>179</sup> the two most important and highly cited decisions of the S.D.N.Y. on this topic were delivered just a few months apart in 1996.<sup>180</sup>

Considering the prominence of the S.D.N.Y. and how often and yet inconsistently it has ruled on the issue, it is truly remarkable that the Second Circuit has not yet delivered a binding precedent on this issue. I was able to find only five instances in which the Second Circuit

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<sup>175</sup> See *supra* text accompanying notes 115–18.

<sup>176</sup> *Ritchie*, 395 F.3d at 288–89. The only other final circuit court opinion that found a contract preempted by the Copyright Act predated *ProCD*. See *Takeall*, 1993 WL 509876, at \*7; *supra* text accompanying note 130.

<sup>177</sup> *Supra* note 166.

<sup>178</sup> For a list of those cases, see *infra* Appendix.

<sup>179</sup> *Supra* text accompanying notes 138–43.

<sup>180</sup> Compare *Architectronics*, 935 F. Supp. at 438–41 (adopting the no-preemption approach), with *Am. Movie Classics*, 922 F. Supp. at 930–32 (adopting the facts-specific approach).

addressed a lower court opinion regarding the preemption of a breach of contract claim by the Copyright Act.<sup>181</sup> In two of those cases, the Second Circuit affirmed or reversed on other grounds without any need to address preemption.<sup>182</sup> In two other cases, the Second Circuit affirmed the S.D.N.Y. without much reasoning. In 1984, in *Smith v. Weinstein*, the S.D.N.Y. held that a *Desny* claim—an implied-in-fact promise to pay for an idea for the script of the movie “Stir Crazy”—was not preempted.<sup>183</sup> The court, however, seemed to endorse a facts-specific approach when it mentioned, without reasoning, that if the contract claim were merely for copying a copyrighted materials, then it would have been preempted because the “[p]laintiff cannot merely rephrase the same claim [as copyright infringement] citing contract law.”<sup>184</sup> The Second Circuit affirmed without an opinion.<sup>185</sup> In 1998, in *Boyle v. Stephens Inc.*, after a short discussion of the preemption question, the S.D.N.Y. held a bailment contract preempted because it “alleges unauthorized copying and the creation of derivative works,”<sup>186</sup> thus, implicitly, adopting the facts-specific approach. The Second Circuit succinctly mentioned: “[W]e affirm substantially for the reasons stated by the district court.”<sup>187</sup> While those cases might create the impression that the Second Circuit adopted the facts-specific approach, the court’s fifth case on this matter—and the only time to date in which the court tackled the issue of contract preemption directly and at depth—makes clear that such a conclusion would have been premature.

In 2012, in *Forest Park Pictures v. Universal Television Network*, the Second Circuit addressed another *Desny*-type claim and held it not

<sup>181</sup> The searches for those decisions were conducted on Westlaw. As further explained in the Appendix, it is quite possible that the Second Circuit dealt with the issue in other cases that were not identified and are probably not included in the Westlaw database. While it is unlikely that the Second Circuit delivered a full opinion on this matter, it is possible that it affirmed lower court opinions on it without a full opinion and that such decisions are not included in the Westlaw database.

<sup>182</sup> *Simmons v. Stanberry*, No. 10-CV-5815 DLI RER, 2014 WL 3611639, at \*2 (E.D.N.Y. July 22, 2014), aff’d on other grounds, 810 F.3d 114 (2d Cir. 2016); *Whitfield v. Lear*, 582 F. Supp. 1186, 1189 (E.D.N.Y. 1984), rev’d on other grounds 751 F.2d 90 (2d Cir. 1984).

<sup>183</sup> 578 F. Supp. 1297, 1307 (S.D.N.Y. 1984), aff’d, 738 F.2d 419 (2d Cir. 1984).

<sup>184</sup> *Id.*

<sup>185</sup> 738 F.2d 419 (2d Cir. 1984).

<sup>186</sup> 97 CIV. 1351 (SAS), 1998 WL 690816, at \*8 (S.D.N.Y. 1998), aff’d, 21 F. App’x 76 (2d Cir. 2001).

<sup>187</sup> *Boyle*, 21 F. App’x at 77.

preempted.<sup>188</sup> The court reasoned that preemption was not warranted because the implied-in-fact contracts did not limit an action that is an exclusive right, because contracts do not create rights against the world, and because the court found an extra element in the promise to pay, which is not an exclusive right.<sup>189</sup> Thus, this reasoning adopted both approaches. The Second Circuit noticed that other circuit courts adopted either the no-preemption or the facts-specific approach. It found, however, that regardless of the approach it chose, the *Desny* claim at bar would not be preempted.<sup>190</sup> It, therefore, explicitly chose not to adopt either of these two approaches and not to resolve the inconsistency and split of authorities in the S.D.N.Y. In most of the decisions of the S.D.N.Y. that relied on and cited *Forest Park Pictures*, however, the preemption claim was rejected, sometimes, but not always, after adopting the broad no-preemption approach.<sup>191</sup>

The case law in two other appellate courts—the Fourth Circuit and the Eighth Circuit—is murkier, probably because it was partly formed in the pre-*ProCD* era.

The conflicting case law in the Fourth Circuit was discussed above.<sup>192</sup> In 1998, the Fourth Circuit succinctly held that a contract was not preempted because it was not within the subject matter of copyright law, which might imply that contracts are never preempted. In 1993, the court found a contract preempted because “the rights [it] sought to . . . vindicate[] [were] equivalent to any right encompassed by copyright,”<sup>193</sup> thus adopting the facts-specific approach. It is therefore

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<sup>188</sup> 683 F.3d 424, 433 (2d Cir. 2012).

<sup>189</sup> *Id.* at 431–33.

<sup>190</sup> *Id.* at 433.

<sup>191</sup> See, e.g., *Einiger v. Citigroup*, No. 1:14-CV-4570-GHW, 2014 WL 4494139, at \*5 (S.D.N.Y. Sept. 12, 2014) (holding that a contractual duty to pay is not preempted); *BanxCorp v. Costco Wholesale Corp.*, 978 F. Supp. 2d 280, 315–16 (S.D.N.Y. 2013) (holding that a contractual limitation on distribution is not preempted while implying that *Forest Park Pictures* supports the no-preemption approach); *Paramount Pictures Corp. v. Puzo*, No. 12 Civ. 1268(AJN), 2012 WL 4465574, at \*6–7 (S.D.N.Y. Sept. 26, 2012) (adopting the no-preemption approach partly in reliance on *Forest Park Pictures*). But see, e.g., *We Shall Overcome Found. v. Richmond Org.*, No. 16CV2725(DLC), 2016 WL 6871427, at \*11 (S.D.N.Y. Nov. 21, 2016) (holding, without reference to *Forest Park Pictures*, a contract claim preempted because it “reframes” a copyright infringement claim); *Miller v. Loibl*, No. 11 Civ. 2182, 2013 WL 967760, at \*4–5 (S.D.N.Y. Mar. 13, 2013) (holding a contract preempted without addressing or citing *Forest Park Pictures*).

<sup>192</sup> *Supra* text accompanying notes 128–31.

<sup>193</sup> *Takeall*, 1993 WL 509876, at \*7.

not surprising that district courts within the Fourth Circuit jurisdiction are split on this issue, as one state court has recently noted: “[T]here is no bright line test as to contract claims in the Fourth Circuit.”<sup>194</sup>

The leading precedent in the Eighth Circuit, *National Car Rental Systems*, is a source of great uncertainty. As noted above,<sup>195</sup> this early pre-*ProCD* case seems to adopt the facts-specific approach, although through the years it has been sometimes cited as supporting the no-preemption approach.<sup>196</sup> The Eighth Circuit addressed copyright preemption of contracts only once since then, in *Davidson & Associates v. Jung*.<sup>197</sup> The defendants in this case argued that their promise not to reverse engineer the plaintiff’s product was preempted by the Copyright Act under the conflict preemption doctrine.<sup>198</sup> The Eighth Circuit rejected the claim, holding that the defendants “contractually accepted restrictions on their ability to reverse engineer.”<sup>199</sup> It cited the Federal Circuit decision in *Bowers v. Baystate Technologies*, in which a similar preemption claim was rejected, and concluded that, “[w]hile *Bowers* and *National Car Rental Systems* were express preemption cases rather than conflict preemption, their reasoning applies here with equal force.”<sup>200</sup> The difficulty with this reasoning is that *Bowers* adopted *ProCD*’s no-preemption approach while *National Car Rental Systems* adopted the facts-specific approach; thus, suggesting that “their reasoning applies” is an ambiguous statement of the law.

### *B. Explaining the Failure of the Facts-Specific Approach*

The consensus among scholars was, and probably still is, that *ProCD* was not just erroneously decided but, more importantly, that its no-preemption approach is inconsistent with the statute, the Constitution, and sound policy, and that it might lead to disastrous results. Still, in the twenty-one years since *ProCD*, the Sixth Circuit is the only federal appellate court that seems convinced by these arguments and that has

<sup>194</sup> *Out of the Box Developers, LLC v. LogicBit Corp.*, No. 10 CVS 8327, 2012 WL 5356282, at \*8 (N.C. Super. Ct. Oct. 30, 2012).

<sup>195</sup> See supra text accompanying notes 134–37.

<sup>196</sup> See supra note 137 and accompanying text.

<sup>197</sup> 422 F.3d 630 (8th Cir. 2005).

<sup>198</sup> *Id.* at 638–39.

<sup>199</sup> *Id.* at 639.

<sup>200</sup> *Id.*

adopted the facts-specific approach. Every other circuit court has either avoided the question altogether or has adopted *ProCD*'s no-preemption approach.<sup>201</sup> This Section asks why that might be. Why do federal circuit courts prefer *ProCD*'s no-preemption approach over the competing facts-specific approach? This Section suggests that the facts-specific approach fails to provide a test that is manageable and reasonable to effectively separate those contracts that should be enforced from those that should be preempted.

The facts-specific approach relies on the delicate-balance narrative and suggests that enforcing all contracts is inconsistent with robust copyright policy. This is, however, only part of the argument. If one believes that some aspects of this delicate balance cannot be contractually altered, then some rule should be offered to distinguish those components within copyright law that can and cannot be contracted around. In other words, because, as explained above,<sup>202</sup>

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<sup>201</sup> When district courts are considered, the picture is more complex and conflicting approaches are found, especially in those jurisdictions in which the relevant circuit court still has not adopted either the no-preemption approach or the facts-specific approach. Maybe surprisingly, one can even find decisions in which district courts ignored and deviated from a clear binding circuit precedent on this matter. See, e.g., *Precision Drone, LLC v. Channel Masters, LLC*, No. 1:15-CV-00476-LJM-TAB, 2015 WL 3886124, at \*2 (S.D. Ind. June 23, 2015) (holding a contract preempted by § 301(a), while ignoring the Seventh Circuit precedent in *ProCD*); *WorkSTEPS v. ErgoScience, Inc.*, 88 F. Supp. 3d 732, 751 (W.D. Tex. 2015) (holding a contract preempted by relying on *Taquino*, 893 F.2d at 1501, for the proposition that “[a] right is equivalent to those exclusive rights ‘if the mere act of reproduction, distribution, or display infringes it’” but failing to quote *Taquino*'s next sentence—“This action for breach of contract involves an element in addition to mere reproduction, distribution or display: the contract promise,” *id.* at 1501—which established the no-preemption approach); *Ross, Brovins & Oehmke, P.C. v. Lexis/Nexis*, 348 F. Supp. 2d 845, 862 (E.D. Mich. 2004), *aff'd sub nom. Ross, Brovins & Oehmke, P.C. v. Lexis Nexis Grp.*, 463 F.3d 478 (6th Cir. 2006) (relying on *Lipscher v. LRP Publications*, 266 F.3d 1305, 1318 (11th Cir. 2001), a no-preemption approach opinion, to hold that a breach of contract claim is not preempted because it “requires the existence of a valid contract, which a copyright claim does not.” The district court—located within the Sixth Circuit—failed to note that in *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 456 (6th Cir. 2001), a decision that it cited, the Sixth Circuit explicitly rejected the no-preemption approach); *Higher Gear Grp. v. Rockenbach Chevrolet Sales*, 223 F. Supp. 2d 953, 958 (N.D. Ill. 2002) (holding a contract preempted by adopting the facts-specific approach of the Eighth Circuit in *National Car Rental System*, 991 F.2d 426, and thus ignoring the binding precedent of the Seventh Circuit in *ProCD*, and, while citing to *ProCD*, suggesting—in a truly shocking and unambiguously erroneous move—that in that decision the Seventh Circuit adopted the Eighth Circuit facts-specific approach).

<sup>202</sup> See *supra* Section I.A.

contracts serve an important function in copyright industries, then in most cases contracting over copyrighted goods should be desirable and enforceable.<sup>203</sup> Some guidance should therefore be provided as to how to identify those unusual contractual promises that should be preempted.

This is where the facts-specific approach fails.<sup>204</sup> The test that the facts-specific approach provides does not adequately separate promises that should be deemed preempted from those that should not. The rule commonly used by proponents of this approach states that contractual promises that regulate an action that is an exclusive right, such as reproduction or adaptation, should be preempted.<sup>205</sup> This rule is problematic. Not only is it difficult to administer and at times cumbersome and arbitrary, but, more importantly, in many cases, it is overbroad—leading to the preemption of contracts that are reasonable and common. In other cases, it is overly narrow—allowing contracts, even those that the proponents of the approach criticize, to easily circumvent the preemption doctrine.

### *1. Randomness and Overnarrowness*

The facts-specific approach test leads to the preemption of contracts that regulate five specific actions with respect to information goods within the subject matter of copyright—copying, adaptation, distribution, public performance, and public display. The focus of the test is therefore on the *actions* that are being regulated. It says nothing about any other actions and other ways in which contracts can regulate information goods. Those five specific actions, the exclusive rights, do not include other activities such as mere usage or payment, and therefore the test is narrow and allows easy circumventing. For example, a contract that might limit how many times a user can read a book, while criticized by proponents of the facts-specific approach,<sup>206</sup> seems to survive this test, as it regulates an activity—reading—that is not an exclusive right.

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<sup>203</sup> See Nimmer et al., *supra* note 3, at 24–29.

<sup>204</sup> Cf. Bauer, *supra* note 159, at 2 (“[T]here are literally hundreds of federal and state decisions interpreting this provision [301-G.R.], which can charitably be described as inconsistent and even incoherent . . . [I]t would not be an overstatement to describe this important provision in the Copyright Act as a ‘legislative failure.’”).

<sup>205</sup> See *infra* Section III.B.

<sup>206</sup> Nimmer et al., *supra* note 3, at 55.

Moreover, drawing a distinction between actions that are part of the exclusive rights and those that are not is cumbersome, somewhat arbitrary, and easy to circumvent. The dispute between National Car Rental Systems (“National”) and Computer Associates (“CA”) demonstrates this point. CA sold data-processing software to National under a contract that prohibited National from allowing third parties to use the software.<sup>207</sup> National processed data of affiliated companies and, when sued by CA, argued that its promise not to do so was preempted by the Copyright Act and therefore unenforceable. The District of Minnesota agreed and held that the promise prevented National from transferring the copy it had purchased to others, and thus it regulated the distribution of information goods and was therefore preempted.<sup>208</sup> In other words, the district court perceived the contractual promise as a prohibition on lending, and, because distribution is an exclusive right (that is limited by the first sale doctrine),<sup>209</sup> it held that the contract was preempted.<sup>210</sup> The Eighth Circuit reversed, reasoning that the contract also prohibited National from processing third parties’ data on its own computer, which had nothing to do with distribution.<sup>211</sup> Therefore, the Eighth Circuit ruled, the contract allowed CA to control an activity that is not an exclusive right—usage.<sup>212</sup> Consequently, the contract was saved from preemption because it included restrictions that were broader than a mere limitation on transferability and expanded the rights of the copyright owner.

This result is absurd. Indeed, the difference between the ways that the district court and the Eighth Circuit characterized the contract seems both arbitrary and counterintuitive. It makes little sense that the further the contract expands the rights of the copyright owner, the more likely it is to escape preemption.<sup>213</sup> Such reasoning, however, is common among courts that adopt the facts-specific approach.<sup>214</sup>

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<sup>207</sup> *Nat’l Car Rental Sys. v. Comput. Assocs. Int’l*, No. 3-91-321, 1992 WL 5959, at \*1 (D. Minn. Jan. 17, 1992), rev’d, 991 F.2d 426, 427 (8th Cir. 1993).

<sup>208</sup> *Id.* at \*3–4.

<sup>209</sup> 17 U.S.C. § 109(a) (2012). This doctrine inter alia permits the owner of a copy of a copyrighted good to lend it to others. *Id.*

<sup>210</sup> *Nat’l Car Rental Sys.*, 1992 WL 5959, at \*3–4.

<sup>211</sup> *Nat’l Car Rental Sys.*, 991 F.2d at 432–33.

<sup>212</sup> *Id.* at 433.

<sup>213</sup> It should be noted that, under modern case law, the court could have considered other arguments—unfortunately, those arguments are probably as arbitrary and random. When

Preempting contractual obligations only when they regulate actions that are exclusive rights is not just arbitrary, but it also offers an easy way for contract drafters to circumvent the rule and avoid preemption. This is most evident with respect to the duty to pay. Paying (or getting paid) is not an exclusive right and therefore any promise by a user to pay seems to automatically escape preemption.<sup>215</sup> It is, however, quite easy to characterize most contractual obligations, especially of buyers, in terms of a duty to pay.<sup>216</sup>

Take, for example, the facts of *ProCD*, public enemy number one of the proponents of the facts-specific approach. As explored above,<sup>217</sup> in this decision, the Seventh Circuit enforced a contract that prohibited the defendant from commercially using a database. Under the facts-specific

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National used the software to process the data of third parties, it created a copy of the software on its computer's random access memory ("RAM"). This copy, at least under a well-established line of cases from the Ninth Circuit, the leading court in software-related cases, infringed on CA's reproduction rights, unless its creation was permitted by a license. See, e.g., *MAI Sys. Corp. v. Peak Comput.*, 991 F.2d 511, 518–19 (9th Cir. 1993). Thus, if the prohibition on usage for the benefits of third parties is drafted as a condition for National's license, this usage is not just a breach of the contract but also an infringement of CA's copyright. See also *supra* note 51. This proposition provides yet another demonstration as to the randomness of the facts-specific approach's test. Does a restriction on the use of software escape preemption because use is not an exclusive right, or does the fact that use involves copying, which is an exclusive right, make the contractual claim preempted?

<sup>214</sup> See, e.g., *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 456 (6th Cir. 2001); *eScholar, LLC v. Otis Educ. Sys.*, 387 F. Supp. 2d 329, 332–33 (S.D.N.Y. 2005); *Expeditors Int'l of Wash. v. Direct Line Cargo Mgmt. Servs.*, 995 F. Supp. 468, 483–84 (D.N.J. 1998). Courts went as far as suggesting that a promise to refrain from reverse engineering is not preempted just because reverse engineering is permitted by copyright law's fair use doctrine, thus seemingly turning the argument for preempting those contracts as inconsistent with federal policy on its head. See *Hireguru, LLC v. McKay*, No. 3:16-CV-01669-MBS, 2016 WL 4536344, at \*3 (D.S.C. Aug. 31, 2016); *Sparrow Sys. v. Private Diagnostic Clinic, PLLC*, No. 14 CVS 1025, 2014 WL 7592501, at \*6–7 (N.C. Super. Ct. Dec. 24, 2014).

<sup>215</sup> This argument—that a duty to pay is not an exclusive right—is broadly used in the case law to justify the enforcement of questionable contracts. This is, for example, a common argument for enforcing a *Desny* claim. See, e.g., *Forest Park Pictures*, 683 F.3d at 432–33; *Wrench*, 256 F.3d at 457–58; *Firoozye v. Earthlink Network*, 153 F. Supp. 2d 1115, 1126–27 (N.D. Cal. 2001); *BVS Performance Sys. v. Mercantile Bancorporation*, No. C98-111 MJM, 2000 WL 34031502, at \*3–4 (N.D. Iowa Apr. 24, 2000); *supra* text accompanying notes 115–16.

<sup>216</sup> See, e.g., *Bill Diodato Photography LLC v. Avon Prods.*, No. 12 Civ. 847(RWS), 2012 WL 4335164, at \*7 (S.D.N.Y. Sept. 21, 2012) (framing an obligation to use a work for no more than one year as a duty to pay for longer use, which, under *Forest Park Pictures*, 683 F.3d at 432–33, is not preempted).

<sup>217</sup> See *supra* text accompanying notes 60–61.

approach's test, a court would need to decide whether "commercial use" is tangled with reproduction or distribution, as both are exclusive rights. If they are, the contract is preempted. This is a difficult question in itself that might or might not lead to the enforcement of the contract. Even if a promise to refrain from commercial use is preempted, however, it seems that a simple change would circumvent that rule and would make an equivalent contract enforceable. If ProCD's contract had included a promise to pay the fair market value of any commercial use, then even if the Seventh Circuit adopted the facts-specific approach, preemption would have been avoided. The value of commercial use was probably in the millions of dollars, and therefore such a contract would probably have created the same effect as the heavily criticized contract in *ProCD*—preventing the defendant Matthew Zeidenberg from free-riding ProCD's massive investment in collecting factual information. The value of a rule that in many cases can easily be circumvented is questionable.

Indeed, the facts-specific test allows far-reaching contracts to escape preemption. In fact, the contracts that are the most likely to fail this test are those "redundancy contracts" that were discussed in Section I.A<sup>218</sup>: contracts that prohibit the defendant from taking an action that is already copyright infringement. In many of those cases, the plaintiff had a valid copyright infringement claim, which offered superior remedies,<sup>219</sup> and thus the preemption ruling might have little practical effect.<sup>220</sup>

## 2. *Overbreadth*

The facts-specific test is sometimes overbroad. It seems to imply that copyright law has a monopoly over the legal regulation of reproduction, adaptation, distribution, and public display and performance of certain information goods. This, however, is inconsistent with the traditional and reasonable role that contracts and other legal doctrines play with respect to information goods.

Information, whether fixed or not, whether creative or not, is quite often subject to human interaction that has little to do with copyright law. It is, therefore, not surprising that other legal norms, outside of

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<sup>218</sup> See *supra* text accompanying notes 71–73.

<sup>219</sup> See *infra* text accompanying notes 300–03.

<sup>220</sup> See, e.g., *Wolff v. Inst. of Elec. & Elecs. Eng'rs*, 768 F. Supp. 66, 69 (S.D.N.Y. 1991).

intellectual property law, regulate information goods. Applying the facts-specific test may lead to preemption of those legal norms.

Confidentiality and exclusivity arrangements provide clear examples of this claim. Reporters might pay their sources in return for an exclusive story. In this interaction the sources promise, in consideration of payment, not to distribute their stories to other reporters prior to publication. Similarly, my research assistants collected and distributed factual information that I used in writing this Article. They (implicitly) promised to provide this information exclusively to me. Inventors who have brilliant ideas present them to venture-capital companies but require these companies to sign a non-disclosure agreement. Company *A* would like to acquire company *B*, so it must conduct due diligence. Company *B* would share its confidential information only subject to company *A*'s promise not to disclose it to others. All those contractual promises are common, reasonable, and are required for the operation of various businesses. All these promises, however, regulate the distribution, and, in many cases, the reproduction, of information goods, which might or might not be protected by copyright. These promises therefore fail the facts-specific test, and yet it would be preposterous not to enforce them because they allegedly create rights that are equivalent to the exclusive rights under the Copyright Act.<sup>221</sup> In fact, the entire legal field of trade secrets is based on legal obligations to refrain from distributing certain information.<sup>222</sup>

Indeed, historically, copyright law was perceived as just one nonexclusive way to control the reproduction and distribution of

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<sup>221</sup> Contractual confidentiality provisions are, of course, routinely enforced by courts. See, e.g., *Snepp v. United States*, 444 U.S. 507, 507–10 (1980) (per curiam) (enforcing a contractual promise not to publish information about the activities of the FBI without the agency's authorization); Alan E. Garfield, *Promises of Silence: Contract Law and Freedom of Speech*, 83 *Cornell L. Rev.* 261 (1998) (exploring contracts that limit public disclosure and suggesting they should be regulated more closely, primarily because they raise public policy concerns). Nevertheless, confidentiality agreements are sometimes subject to claims of copyright preemption, although courts have so far rejected such claims. See, e.g., *Gail Green Licensing & Design Ltd. v. Accord, Inc.*, No. 05 C 5303, 2006 WL 2873202, at \*6 (N.D. Ill. Oct. 5, 2006); *Computer Assocs. Int'l v. Quest Software*, No. 02 C 4721, 2003 WL 21799259, at \*2 (N.D. Ill. July 24, 2003); *Lennon v. Seaman*, 63 F. Supp. 2d 428, 436–38 (S.D.N.Y. 1999); see also *Consumer Review Fairness Act of 2016*, 15 U.S.C. § 45b (2016) (making the use of clauses in form agreements that restrict the ability of a consumer to criticize a service provider unenforceable and illegal under federal law).

<sup>222</sup> See Easterbrook, *supra* note 14, at 963.

information goods. Consider, for example, the events that followed the Supreme Court's decision in *Feist Publications v. Rural Telephone Service Co.*, which held that factual information is not protected by copyright even when its collection was labor intensive.<sup>223</sup> This decision sparked a debate over the protection of databases in the United States. Some have suggested that Congress should use its Commerce Clause power to provide protection to databases, possibly similar to the protection afforded by the European Union's Directive on the Legal Protection for Databases (Database Directive), adopted in 1996.<sup>224</sup> Congress has never passed such legislation. The main argument against these initiatives was that additional legislation is not needed because other legal norms provide sufficient incentive to create databases. Professor Miriam Bitton, for example, has explored how certain norms of, inter alia, criminal law, trade secret, trademark, unfair competition, tort, and, yes, contract law, allow creators to prevent some forms of free riding and thus collect a reasonable return on their investment in collecting data.<sup>225</sup> This suggests that copyright law was never perceived and probably should not be perceived to have an absolute monopoly over legal norms that limit distribution of information goods.

### *C. Modifying the Facts-Specific Approach*

Some have suggested various tests for distinguishing contracts that should be preempted from those that should not under the express preemption doctrine. This Section explores a few of those suggestions and argues that they are lacking.

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<sup>223</sup> 499 U.S. 340, 344–45 (1991).

<sup>224</sup> See, e.g., Database Investment and Intellectual Property Antipiracy Act of 1996, H.R. 3531, 104th Cong. § 3(A) (1996) (providing protection for databases that are “the result of . . . substantial investment of human, technical, financial or other resources”; this bill was not passed); see also Jane C. Ginsburg, No “Sweat”? Copyright and Other Protection of Works of Information After *Feist v. Rural Telephone*, 92 Colum. L. Rev. 338, 367–74, 384–87 (1992); L. Ray Patterson, Copyright Overextended: A Preliminary Inquiry into the Need for a Federal Statute of Unfair Competition, 17 U. Dayton L. Rev. 385, 410 (1992).

<sup>225</sup> Miriam Bitton, A New Outlook on the Economic Dimension of the Database Protection Debate, 47 IDEA 93, 147–68 (2006); see also Kal Raustiala & Christopher Sprigman, The Knockoff Economy 162–66 (2012) (exploring the reasons for the expansion in database production in the United States since the Supreme Court decision in *Feist Publications*, and partly attributing it to the availability of contractual arrangements).

One prominent suggestion is that, instead of focusing on whether the contractual promises regulate an action that is an exclusive right, courts should ask whether the contract was negotiated or not. Contracts that were negotiated, the argument goes, are different from copyright and therefore escape preemption. In contrast, contracts that were not negotiated—i.e., standard-form agreements—should be preempted.

In *Bowers*, Judge Dyk, in dissent, argued that contracts that limit reverse engineering should be enforced as long as they are the results of the parties' negotiation.<sup>226</sup> However, continued Judge Dyk, the right to reverse engineer cannot be waived in a standard-form agreement. The form agreement should, therefore, be preempted.<sup>227</sup> Because standard-form agreements are agreed upon with so many users, the argument goes, the rights they create are *in rem* (against the world) in nature and therefore, if they include norms that are inconsistent with copyright law, they should be preempted as equivalent to copyright.

There are several weaknesses in this argument. First, from a policy perspective, it is doubtful that all standard-form agreements over information goods are undesirable. The importance of this point depends on the way in which the preemption-of-form-agreements rule will be applied. The rule can be too narrow or too broad. If the preemption-of-form-agreements rule applies only when the form agreement regulates one of the exclusive rights, then this rule cannot solve the overnarrowness problem. A standard-form agreement that includes a duty to pay for any usage will avoid preemption. The overbreadth problem will not be resolved either. After all, most will agree that some standard-form confidentiality agreements, while regulating the distribution of information goods, are desirable and should not be preempted. Similarly, I have previously argued that enforcement of a standard-form agreement that limits the transferability of students' version software might be socially desirable.<sup>228</sup> If, on the other hand, the preemption-of-form-agreements rule applies independently of the regulation of the exclusive rights or lack thereof, then it will be greatly overbroad. Such a rule will preempt not only most confidentiality and

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<sup>226</sup> *Bowers*, 320 F.3d at 1335–38 (Dyk, J., concurring in part, dissenting in part).

<sup>227</sup> See also Kenneally, *supra* note 3, at 1232–38 (discussing the argument that “mass licenses for copyrighted works approach nearer to the *in rem* paradigm than their contractual provenance would suggest”).

<sup>228</sup> Rub, *supra* note 69, at 811.

exclusivity agreements but also most End User License Agreements and Term-of-Service contracts that are the backbone of our digital environment.<sup>229</sup>

Second, the theoretical foundations of this argument are weak. Standard-form agreements are treated as enforceable contracts in practically all other areas of the law, and, therefore, it is unclear why they should be unenforceable just when touching upon information goods.<sup>230</sup> Indeed, courts nowadays enforce standard-form agreements that disturb “delicate balances” in many areas of the law. These agreements routinely limit the drafter’s liability and the consumers’ remedies, force consumers to file claims in distant and inconvenient locations, make them waive their privacy rights over information, prevent consumers from filing certain claims, and more.<sup>231</sup> Take, for example, the Supreme Court decision in *American Express Co. v. Italian Colors Restaurant*. The Court held that a mandatory arbitration provision in a standard-form agreement, in which consumers explicitly waived the right to class action and class arbitration, was enforceable.<sup>232</sup> Doesn’t this rule disturb the delicate balance that civil procedure law creates between the right of class-action plaintiffs and defendants?<sup>233</sup> Why should such a delicate balance be granted a weaker protection against contractual alteration than the right to reverse engineer or to resell software?<sup>234</sup>

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<sup>229</sup> Another practical obstacle in applying this preemption-of-form-agreements rule is the definition of form agreements. As further explained below, *infra* note 258, there is no clear consensus as to what constitutes a form agreement.

<sup>230</sup> See, e.g., Restatement (Second) of Contracts § 211(2) (Am. Law Inst. 1981) (suggesting that standard-form agreements are enforceable and interpreted “without regard to their knowledge or understanding”).

<sup>231</sup> See Radin, *supra* note 3, at 7–8.

<sup>232</sup> 133 S. Ct. 2304, 2308, 2312 (2013).

<sup>233</sup> See, e.g., Fed. R. Civ. P. 23 (setting the condition for “[o]ne or more members of a class [to] sue[] as representative parties on behalf of all members”).

<sup>234</sup> One may argue that the delicate balance that is at the core of copyright law, or at least some aspects thereof, is different because of its constitutional aspect. Indeed, Congress’s power to enact copyright legislation is enumerated in Article I of the Constitution, U.S. Const. art. I, § 8, cl. 8, and the Supreme Court has held that certain aspects of copyright law, such as the idea-expression distinction and the fair use defense, balance Congress’s power to enact copyright legislation and the principles of freedom of speech under the First Amendment. *Golan v. Holder*, 565 U.S. 302, 327–30 (2012). While this argument points to the importance of copyright law’s delicate balance, it, in itself, says little about the possibility of contracting around this balance, including through standard-form agreements.

The intuition of those who want a stronger preemption rule when standard-form agreements are involved is obvious. If the concern is that contracts will allow copyright owners to rewrite copyright law, then standard-form agreements allow such rewriting on a much larger scale. The proponents of the approach that seeks to preempt standard-form agreements, however, failed to develop an argument that points to the unique effects of standard-form agreements on information goods. Moreover, as further explored in Section III.D below, it is seriously doubtful that even standard-form agreements can meaningfully displace copyright law.

A different suggestion for identifying contracts that should be preempted was made by Professor Christina Bohannon.<sup>235</sup> Her approach is more nuanced and factual and relies on the existing tests for waivers of statutory rights. The core of Bohannon's suggested test is that waivers of rights that "protect individual rather than public interests" should be enforced.<sup>236</sup> In other words, if a norm of copyright law that is contracted around protects the public interest, the contract is preempted. The problem is that this test might primarily just rephrase the question at hand but not solve it. In other words, in some respects, this test kicks the can down the road: instead of asking "what contracts should be preempted" the inquiry is "what contracts protect a public interest," which seems as difficult of a question.

The examples that Bohannon provides make this distinction tricky and the line blurry. For example, Bohannon suggests that a promise not to resell an item is private and therefore "should not be preempted," while "a contractual promise not to use public domain material . . . affects copyright policy intended for protection of the public" and thus should be preempted.<sup>237</sup> But counterarguments can easily be made. When buyers promise not to resell their goods, it affects

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Indeed, the right for a jury trial in common law civil litigation is explicitly provided for in the Bill of Rights, U.S. Const. amend. VII, but, nevertheless, it is routinely waived, either in explicit "jury waiver" provisions or by mandatory arbitration provisions, which courts generally find enforceable. See, e.g. *Caley v. Gulfstream Aerospace Corp.*, 428 F.3d 1359, 1371–72 (11th Cir. 2005); *Leasing Serv. Corp. v. Crane*, 804 F.2d 828, 832–33 (4th Cir. 1986).

<sup>235</sup> Bohannon, *supra* note 91.

<sup>236</sup> *Id.* at 650.

<sup>237</sup> *Id.* at 620.

the prices in the market and the public.<sup>238</sup> On the other hand, it does not seem reasonable to suggest that all confidentiality agreements over factual information, which limit the distribution of information to the public, be preempted because they affect “copyright policy intended to protect the public.” Therefore, it seems that this attempt to divide the possible contracts into smaller and somewhat predictable subcategories does not work and, in my mind, does not produce desirable results.

Another possible way to modify the facts-specific approach is to stop relying on Section 301(a) and the express preemption doctrine altogether. Instead, maybe a case-by-case approach under the conflict preemption doctrine can provide a better route to regulate contracts over information goods. In the next Part, the Article considers, and eventually rejects, this approach.

### III. COMING TO TERMS WITH THE NO-PREEMPTION APPROACH

Part I explains that two approaches have emerged in the case law on the preemption of contracts by copyright law. The previous Part suggests that the facts-specific approach failed to come up with a successful test for distinguishing contracts that should be preempted from those that should not and that it gradually lost ground to the no-preemption approach. This Part explores whether a new approach—maybe one that is based on conflict preemption doctrine—should replace the facts-specific approach in identifying contracts that should be preempted. It answers this question in the negative. Close to four decades of litigation under the Copyright Act of 1976, including more than twenty years since *ProCD*, suggests that expanding preemption is likely not needed and that the current trajectory of the case law is not as troubling as some have predicted.

#### *A. Introducing Conflict Preemption*

Some have suggested that it is a mistake to focus on the Copyright Act’s express preemption—Section 301(a). Instead, the argument goes,

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<sup>238</sup> See, e.g., R. Anthony Reese, *The First Sale Doctrine in the Era of Digital Networks*, 44 *B.C. L. Rev.* 577, 585–86 (2003); Rub, *supra* note 69, at 766–73.

the focus should be on applying a conflict preemption doctrine to contractual promises.<sup>239</sup>

There is some appeal to this suggestion. Intuitively, the problem with some contracts is not that they create rights that are “equivalent” to copyright, as required by Section 301(a).<sup>240</sup> The problem might be that they interfere with the scheme of copyright law. Asking if the contractual promise is “equivalent” to copyright might miss the point.

As a general matter, preemption is not limited to express preemption. The Supreme Court held that Congress’s preemption power “may be either expressed or implied.”<sup>241</sup> Implied preemption can be found “[w]hen Congress intends federal law to ‘occupy the field,’”<sup>242</sup> a situation called field preemption, and “to the extent of any conflict with a federal statute,”<sup>243</sup> a situation called conflict preemption. As part of the conflict preemption doctrine, state law is preempted if it is an obstacle to the purpose and goals of federal legislation.<sup>244</sup> The Supreme Court held that the existence of an express preemption provision in a federal act should not, in itself, prevent courts from applying the principles of conflict preemption.<sup>245</sup> Therefore, maybe, instead of asking if a contract

<sup>239</sup> See, e.g., Bohannon, *supra* note 91, at 622–23; Lemley, *supra* note 3, at 145–46; see also Guy A. Rub, A Less Formalistic Copyright Preemption, 24 J. Intell. Prop. L. (forthcoming 2017) (arguing for applying conflict preemption in copying preemption disputes). A corresponding argument—calling for greatest reliance on conflict preemption—was made in other contexts, such as the preemption of the right of publicity. See, e.g., Jennifer E. Rothman, Copyright Preemption and the Right of Publicity, 36 U.C. Davis L. Rev. 199, 231 (2002); Rebecca Tushnet, Raising Walls Against Overlapping Rights: Preemption and the Right of Publicity, 92 Notre Dame L. Rev. 1539, 1547–48 (2017).

<sup>240</sup> 17 U.S.C. § 301(a) (2012) (“[A]ll legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright . . . are governed exclusively by this title.”); see also Rub, *supra* note 239 (explaining that § 301(a) was specifically designated to eliminate the common law copyright system, under which, before the enactment of the Copyright Act of 1976, state law protected unpublished works, and that § 301(a) was thus not designed, and should not be used, as the exclusive way to preempt state laws that conflict with copyright policy).

<sup>241</sup> *Gade v. Nat’l Solid Wastes Mgmt. Ass’n*, 505 U.S. 88, 98 (1992).

<sup>242</sup> *Crosby v. Nat’l Foreign Trade Council*, 530 U.S. 363, 372 (2000).

<sup>243</sup> *Id.*

<sup>244</sup> Another form of conflict preemption is found “[w]here compliance with both federal and state regulations is a physical impossibility.” *Arizona v. United States*, 567 U.S. 387, 399 (2012) (citation omitted). This form of preemption, sometimes referred to as actual conflict preemption, rarely comes up when contractual promises are considered.

<sup>245</sup> *Geier v. Am. Honda Motor Co.*, 529 U.S. 861, 869–74 (2000); see also Rub, *supra* note 239 (applying the rule set forth in *Geier* to the Copyright Act and concluding that courts are free to apply conflict preemption in copyright-related disputes).

is equivalent to copyright, the better question is whether enforcing the contract “stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress”<sup>246</sup> in enacting certain copyright norms.

Very few decisions have applied such an approach. In *Davidson & Associates v. Jung*, the defendant argued that a contractual promise to refrain from reverse engineering is preempted under the conflict preemption doctrine.<sup>247</sup> The court rejected this claim, relying on cases on express preemption and noting that while those cases “were express preemption cases rather than conflict preemption, their reasoning applies here with equal force.”<sup>248</sup> Recently, in *Ryan v. Editions Ltd. West*, the defendant argued that a contractual provision that provides that the losing side in every future legal dispute will pay the legal expenses of the winning side was preempted.<sup>249</sup> The Ninth Circuit rejected the express preemption claim and went on to hold that even under the conflict preemption doctrine the contractual provision is enforceable.<sup>250</sup> The defendant argued that the Copyright Act provides a similar provision for the payment of legal fees, which is contingent on registration of the work with the copyright office,<sup>251</sup> and therefore, because the plaintiff’s work in that case was not registered, recovery of legal fees under a contractual cause of action was in conflict with Congress’s goals. The Ninth Circuit rejected this argument, explaining that making the payment of legal fees contingent on registration makes sense between strangers but is irrelevant when it comes to the relationship between parties to a contract.<sup>252</sup>

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<sup>246</sup> *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941).

<sup>247</sup> 422 F.3d 630, 638–39 (8th Cir. 2005).

<sup>248</sup> *Id.* at 639.

<sup>249</sup> 786 F.3d 754, 757–58 (9th Cir. 2015).

<sup>250</sup> *Id.*

<sup>251</sup> 17 U.S.C. § 412 (2012).

<sup>252</sup> *Ryan*, 786 F.3d at 762. Another case that could have been mentioned when addressing conflict preemption is *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 269–70 (5th Cir. 1988). However, this decision actually did not discuss a preemption of a specific contract, but the preemption of the Louisiana Software License Enforcement Act, which permitted a software producer to impose certain terms upon purchasers, including prohibiting reverse engineering. The Fifth Circuit found that the Louisiana Act was preempted because “[t]he provision in Louisiana’s License Act, which permits a software producer to prohibit the adaptation of its licensed computer program by decompilation or disassembly, conflicts with the rights of computer program owners under § 117 and clearly ‘touches upon an area’ of

Assuming that courts are free to use conflict preemption,<sup>253</sup> the next natural question is whether they should do it when it comes to contractual claims, and, if so, when. The next Section focuses on the types of contracts that have been litigated in the last four decades and suggests that they probably should not.

*B. The Discrepancy Between the Scholarly Predictions and Litigated Contracts*

*ProCD* is the opinion that many copyright scholars love to hate.<sup>254</sup> They warned that widespread adoption of *ProCD*'s no-preemption approach would fundamentally undermine copyright policy by allowing contracts to run amok and subvert and possibly replace copyright law.<sup>255</sup> Reviewing the 279 court opinions on this topic—the Preemption Decisions—however, creates a different impression. While *ProCD*'s no-preemption approach was widely adopted in the last two decades, there seems to be a significant gap between what scholars were concerned with and what actually happened. Indeed, there is no evidence of a significant subversion or replacement of copyright law, or of meaningful harm to core copyright policies in those Preemption Decisions. This Section describes the types of contracts that are part of the Preemption

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federal copyright law.” *Id.* at 270. The Fifth Circuit, unlike the district court in the same case, reached this conclusion without referring to § 301(a), but instead by relying on Supreme Court precedent regarding the conflict preemption in connection with the Patent Act. This is likely a unique decision because the Louisiana Act might have allowed enforcement of provisions that were not contractually accepted (“[The] license agreement was ‘a contract of adhesion which could only be enforceable if the [Louisiana License Act] is a valid and enforceable statute.’” *Id.* at 269 (citation omitted)). Later Fifth Circuit opinions probably also considered the decision in *Vault* to be a unique case, limited to its facts and the Louisiana statute. This explains how the Fifth Circuit, only three years later, and without even mentioning its decision in *Vault*, held that contracts, as such, are not preempted by copyright. *Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488, 1501 (5th Cir. 1990). The *Taquino* precedent was followed in *Real Estate Innovations v. Houston Ass’n of Realtors*, 422 F. App’x 344, 349 (5th Cir. 2011), also without even mentioning the decision in *Vault*. See also *Neon Enter. Software, LLC v. Int’l Bus. Machs. Corp.*, No. A-09-CA-896 AWA, 2011 WL 2036674, at \*1 (W.D. Tex. May 24, 2011) (explaining that “[t]he Fifth Circuit’s holding in *Vault* involves federal preemption of a specific Louisiana statute, not federal preemption of private contractual agreements touching on copyright law”).

<sup>253</sup> See *supra* note 245 and accompanying text.

<sup>254</sup> See *supra* note 161 and accompanying text.

<sup>255</sup> See, e.g., *supra* notes 152–61 and accompanying text.

Decisions. The next Section discusses the limitations in using litigated opinions.

The vast majority of contracts that were litigated in the Preemption Decisions represent transactions that seem commercially reasonable. Those contracts are quite different from the parade of horrors that so many commentators warned about.

Take, for example, the warnings about the destructive power of consumers' standard-form agreements. While being engaged in what seems to be a standard online interaction, a user is asked to "click 'I agree' . . . after being shown lists of fine-print terms that [he did not] read."<sup>256</sup> Those click-wraps can include any provision the drafter chose, including provisions that regulate the use of information goods.<sup>257</sup> While this surely happens, those standard-form agreements are not the subject of preemption litigation. To be clear, a small subset of the contracts that have been litigated as part of the Preemption Decisions might be considered "standard form,"<sup>258</sup> as they might have been drafted by one party to be used on multiple occasions. The contract in question in *ProCD* might be the most famous of them. The paradigmatic consumers in standard-form agreement transactions—those consumers who rationally do not read the terms to which they agree and are unaware of their content and sometimes of their existence—however, are nowhere to be found among the Preemption Decisions. The standard-form agreements that are discussed in the Preemption Decisions were typically entered by two businesses or professionals.

Take, for example, the facts of *Berkla v. Corel Corp.* Corel inquired about including Berkla's image database in its software products. Berkla, as a condition for granting full access to its database, required Corel to sign "a boilerplate NDA [non-disclosure agreement],"<sup>259</sup> which

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<sup>256</sup> Radin, *supra* note 3, at 8.

<sup>257</sup> See, e.g., Kenneally, *supra* note 3, at 1201–02, 1232–33 (discussing the risk associated with mass standard licensing practices); Lemley, *supra* note 3, at 136 (warning about the effect of standard-form agreements over information goods); Nimmer et al., *supra* note 3, at 20–23 (same).

<sup>258</sup> Defining "standard-form agreement" is far from trivial. Professor Todd Rakoff, for example, famously offered seven characteristics of such contracts, including that they were drafted by one party to be used numerous times. Rakoff, *supra* note 37, at 1177. Others offered different definitions. See, e.g., Robert A. Hillman & Jeffrey J. Rachlinski, Standard-Form Contracting in the Electronic Age, 77 N.Y.U. L. Rev. 429, 435–36 (2002). Those distinctions are not crucial to the point made in this Section.

<sup>259</sup> *Berkla v. Corel Corp.*, 66 F. Supp. 2d 1129, 1134, 1146 (E.D. Cal. 1999).

Corel allegedly later breached when it included certain images in its software products. Or consider the facts of *Information Handling Services v. LRP Publications*. The plaintiff distributed a database of decisions of the Equal Employment Opportunity Commission on CD-ROMs that included a shrink-wrap that limited the distribution of the database. The defendant, a direct competitor, purchased the CD-ROM and allegedly copied and distributed parts of the database.<sup>260</sup> Next, consider the facts of *Express Lien v. Nationwide Notice*, where the defendant allegedly copied forms, possibly protected by copyright, from the website of his competitor—the plaintiff—in breach of the plaintiff’s browser-wrap agreement.<sup>261</sup> Finally, consider the agreement litigated in *Angel Music v. ABC Sports*: a standard agreement, issued by BMI, one of the main performing rights organizations in the country, that allowed ABC to only perform a copyright-protected work, and was allegedly breached when ABC Sports edited and revised the work in question.<sup>262</sup> Although the agreements in all those cases were standard-form agreements and not subject to negotiation, it was still reasonable to expect the defendants in those cases to be aware of the terms of those agreements before they started to commercially and broadly use the information goods governed by those agreements.

It would be very difficult, maybe impossible, to verify that each party in each Preemption Decision was actually familiar with the terms of the contract in question. There seems to be a fundamental difference, however, between contracts between Google or Apple and their users, and an agreement between two businesses or professionals, such as a partnership agreement among co-creators, an agreement between a small publisher and an author,<sup>263</sup> an agreement that limits a competitor’s behavior,<sup>264</sup> or an agreement between a photographer and a small

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<sup>260</sup> *Info. Handling Servs. v. LRP Publ’ns*, No. Civ.A. 00-1859, 2000 WL 1468535, at \*1 (E.D. Pa. Sept. 20, 2000).

<sup>261</sup> No. CV 16-2926, 2016 WL 7097382, at \*1, \*5 (E.D. La. Dec. 5, 2016). It should be noted that the contractual claim was dismissed in this decision because the complaint had not specified how the defendant actually accepted the form agreement. *Id.* at \*4–5.

<sup>262</sup> 631 F. Supp. 429, 434–35 (S.D.N.Y. 1986).

<sup>263</sup> *Ryan*, 786 F.3d at 757.

<sup>264</sup> *Info. Handling Servs.*, 2000 WL 1468535, at \*1; *Pollstar, v. Gigmania LTD.*, No. CIV-F-00-5671 REC SMS, 2000 WL 34016436, at \*2 (E.D. Cal. Sept. 1, 2000) (prohibiting the commercial use of factual information regarding concerts).

business that hired his services.<sup>265</sup> In other words, I didn't find any preemption case in which the contract in question was clearly the type of consumer standard-form agreement that is the main source of concern—those that parties enter into quickly and with no rational reason to read or understand.<sup>266</sup> The analysis of the Preemption Decisions thus suggests that the doomsday scenario of countless standard-form agreements that would be attached to commonly used copies of information goods—such as books or music files—and that would significantly restrict users' rights, did not materialize.

What kinds of contracts were litigated as part of the Preemption Decisions? A very common contractual claim, which was litigated dozens of times, is the so-called *Desny* claim. As explained above,<sup>267</sup> a *Desny* claim arises after the plaintiff pitches an idea for some creative endeavor (such as a movie or a commercial campaign) to the defendant, who rejects the pitched endeavor but later uses the idea. Contract law, in many states, holds that an implied-in-fact contract exists in such a case and that this contract includes a promise by the defendant to pay the fair value of the pitched idea that was later used. Another version of that cause of action goes a step further and holds that the implied contract prohibits the use of the idea without consent.<sup>268</sup>

It is doubtful that either the narrow version or the broad version of the *Desny* claim is problematic from a copyright policy perspective or should be preempted. This implied contract attempts to solve a real problem: how to encourage those who have creative ideas, which are of course not protected by copyright, to disclose them. Accepting this form of legal regulation of ideas is not inconsistent with copyright policy. In fact, the availability of this cause of action might encourage the flow of

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<sup>265</sup> *Wieczorek v. Nat'l Catholic Prayer Breakfast*, Civ. No. MJG-15-02599, 2016 WL 54798, at \*1 (D. Md. Jan. 4, 2016).

<sup>266</sup> See Omri Ben-Shahar, *The Myth of the 'Opportunity to Read' in Contract Law*, 5 *Eur. Rev. Cont. L.* 1, 15–19 (2009) (explaining how irrational it is for most users to read and understand standard-form agreements).

<sup>267</sup> See *supra* text accompanying notes 50–55.

<sup>268</sup> Both versions of this claim were at issue in *Montz v. Pilgrim Films & Television*, 649 F.3d 975, 978 (9th Cir. 2011) (en banc) (noting that the plaintiffs claimed that the implied-in-fact contract included a promise “that the Defendants would not disclose, divulge or exploit the Plaintiffs’ ideas and concepts *without compensation* and *without obtaining the Plaintiffs’ consent*” (emphasis added)).

information and allow the creation of new works. It therefore seems consistent with the goals of copyright law.

Another very common type of litigated contract includes a promise to refrain from an act that is a copyright infringement, such as copying or distribution of a work. I referred to those contracts, which in some cases imitate parts of the Copyright Act, as “redundancy agreements.” As mentioned above, those are the most commonly preempted contract under the facts-specific approach.<sup>269</sup>

Does the enforcement of redundancy contracts subvert the goals of copyright law? Probably not. First, in most cases, the promisee in a redundancy contract will not try to enforce it because copyright law offers superior remedies.<sup>270</sup> Therefore, if a defendant’s actions are both copyright infringement and a breach of contract, most plaintiffs will choose to file a copyright claim. Redundancy contracts are more significant when the copyright claim is barred, typically for a procedural reason, or when the promisee prefers to litigate the claim in state court.<sup>271</sup> For example, in *Ryan*, the contractual promise in question was for the payment of legal fees to the winning party.<sup>272</sup> Copyright law already provides such a remedy but it is contingent on registering the work with the U.S. Copyright Office.<sup>273</sup> Because the work in *Ryan* was not registered, this remedy was unavailable under copyright law. Was providing it under contract law inconsistent with copyright goals? The Ninth Circuit correctly held that it was not. Registration is designed to reduce search costs among strangers, but among contracting parties those costs are minimal.

Similar reasoning is applicable to another type of litigated agreement: a redundancy contract when the copyright claim is barred by Section 507(b)—the three-years statute of limitations under the Copyright Act.<sup>274</sup> Is it an obstacle to the goals of copyright policy to enforce a redundancy contract after more than three years? I believe the answer is no. The

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<sup>269</sup> See *supra* text accompanying notes 218–20.

<sup>270</sup> See *infra* text accompanying notes 272–75.

<sup>271</sup> See generally Robert P. Merges, A Transactional View of Property Rights, 20 Berkeley Tech. L.J. 1477, 1505–13 (2005) (comparing the advantages and disadvantages of bringing a claim under contract law to bringing a claim under patent law).

<sup>272</sup> *Ryan*, 786 F.3d at 757–58.

<sup>273</sup> 17 U.S.C. § 412 (2012).

<sup>274</sup> This was the case in *Ritchie v. Williams*, 395 F.3d 283, 285–87 (6th Cir. 2005). The Sixth Circuit famously held the contract in that case preempted.

statute of limitations under copyright law assures creators and users of information goods that they can be subject to copyright claims from any copyright owner for only three years thereafter. Because the risk of litigation is “against the world,” minimizing it, for example, by setting a short limitation period likely increases certainty and encourages creation and usage.<sup>275</sup> But the situation is quite different when the parties entered a contract. Now the creators or users know that they are subject to a very specific litigation threat from specific promisees, and therefore the increased uncertainty or the harm to creativity is minimal.

Consider another type of agreement: contracts over the use of databases. These contracts are actually not common among the Preemption Decisions but they have received much attention from commentators, probably because that was the type of contract at issue in *ProCD*. It is hard to perceive even that contract as an obstacle to the goals of copyright policy. The actions that ProCD, and similarly situated companies, took did not shrink the public domain or increase the costs of creation to others. ProCD spent millions in collecting phone numbers and contractually limited their usage. Before and after ProCD had done so everyone was free to do the same thing: collect information and use or distribute it. Matthew Ziedenberg, the defendant, was certainly free to do so. Instead, he chose to free ride on ProCD’s efforts. Contractually limiting him from doing so does not seem inconsistent with copyright policy.<sup>276</sup>

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<sup>275</sup> But see *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014) (allowing a copyright holder’s claim to proceed although it was based on an alleged infringement that commenced eighteen years earlier because the continued distribution of the infringing work provides a new base for an infringement claim and because laches, as an equitable defense, cannot bar the lawsuit).

<sup>276</sup> This conclusion is also supported by the difficulty in controlling the flow of information and information goods, as discussed below. See *infra* Subsection III.D.1. In other words, that discussion shows that ProCD is unable to actually monopolize facts, which makes the ProCD contract less troubling. See also *Info. Handling Servs. v. LRP Publ’ns*, No. CIV. A. 00-1859, 2000 WL 1468535, at \*1 (E.D. Pa. Sept. 20, 2000) (noting, in the context of contractual protection of a database, that “there is no protection for the ‘sweat of the brow’ under copyright law. However, there is no law that requires me to make my product publicly available; nor is it permissible to break into my house and steal it in order to copy the material it contains” (citation omitted)); *supra* text accompanying notes 223–25 (discussing how contractual control over databases might encourage their creation and how that form of control might contribute to the decision not to protect databases through *sui generis* federal law).

This Section cannot explore every contract in the Preemption Decisions, but the overall impression is clear. The most common contracts litigated, and the most common contracts preempted, do not seem to raise significant copyright policy concerns. More troubling contracts—such as standard-form agreements that prohibit the creation of parodies, the use of ideas in subsequent work, short citations, or criticism—are nowhere to be found within the Preemption Decisions.

Consider, for example, the important work of Professor Viva Moffat regarding contracting around fair use, a phenomenon she called “super-copyright provisions.” Moffat warned that those super-copyright provisions “are nearly universal. If you have surfed the web, bought a computer, done online banking, . . . downloaded software, listened to music on iTunes, or watched a video on YouTube, you have entered into a contract and agreed not to make fair use of the material you encountered.”<sup>277</sup>

A reader of the Preemption Decisions, however, will get a very different sense. Contracts in which a party promised to refrain from an activity that is fair use are very rarely litigated. And when they are litigated, the contracts do not affect the core of the fair use defense—the type of concerns that Moffat and others<sup>278</sup> were raising. Instead, those contracts touch on the outskirts of fair use, and in particular, on restrictions on reverse engineering.<sup>279</sup> None of those contracts affected,

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<sup>277</sup> Moffat, *supra* note 121, at 48.

<sup>278</sup> See, e.g., Nimmer et al., *supra* note 3, at 55 (describing how publishers can use “the logic of *ProCD*” to prohibit what “the fair use doctrine would otherwise permit”).

<sup>279</sup> Creating temporary copies as part of reverse engineering in order to achieve interoperability is typically considered fair use. *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1527–28 (9th Cir. 1992); Matthew Sag, *God in the Machine: A New Structural Analysis of the Copyright’s Fair Use Doctrine*, 11 *Mich. Telecomm. & Tech. L. Rev.* 381, 426–27 (2005); Pamela Samuelson, *Unbundling Fair Uses*, 77 *Fordham L. Rev.* 2537, 2606–09 (2009). But in two decisions federal appellate courts held that a promise to refrain from reverse engineering is not preempted by the Copyright Act. It is, however, important to note that in both cases the defendants’ actions went beyond the mere temporary copying that, under *Sega*, constitute fair use. In *Bowers v. Baystate Technologies*, 320 F.3d 1317, 1322 (Fed. Cir. 2003), the jury in the trial court found that the defendants’ actions not only breached the standard contract with the plaintiff but also constituted copyright infringement. Because the Federal Circuit found that the contract was breached, however, it concluded that “this court need not reach the merits of Mr. Bowers’s copyright infringement claim.” *Id.* at 1328. In *Davidson*, 422 F.3d at 633–37, the defendants operated an online gaming server for games created by the plaintiff which, unlike the plaintiff’s server, provided online gaming capabilities to pirated copies as well. That was the main reason the defendants were found to

even indirectly, one of the activities that is explicitly listed as presumably fair within the Copyright Act—criticism, commentary, news reporting, teaching, scholarship, or research.<sup>280</sup> All of those disputes were between sophisticated businesses, typically competitors.<sup>281</sup>

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breach not only the End User License Agreement but also the anticircumvention provisions of the Digital Millennium Copyright Act, 17 U.S.C. § 1201 (2012). That provision allowed “for the sole purpose of identifying and analyzing those elements of the program that are necessary to achieve interoperability,” id. § 1201(f), but the court ruled that the defendant’s actions went beyond that limited scope of that defense. *Davidson*, 422 F.3d at 641–42. District courts and state courts have also discussed whether a promise to refrain from reverse engineering is preempted, although a full analysis of those decisions is beyond the scope of this work. See, e.g., *Neon Enter. Software, LLC v. Int’l Bus. Machines Corp.*, No. A-09-CA-896 AWA, 2011 WL 2036674, at \*1–2 (W.D. Tex. May 24, 2011); *Frontline Test Equip. v. Greenleaf Software*, 10 F. Supp. 2d 583, 591–93 (W.D. Va. 1998); *Sparrow Sys. v. Private Diagnostic Clinic, PLLC*, No. 14 CVS 1025, 2014 WL 7592501, at \*7 (N.C. Super. Dec. 24, 2014); *Out of the Box Developers, LLC v. LogicBit Corp.*, No. 10 CVS 8327, 2012 WL 5356282, at \*8–11 (N.C. Super. Oct. 30, 2012). It should be noted that the parties to the contract in those cases were sophisticated businesses and that in some of them, but not all, the plaintiffs were also asserting a copyright infringement claim against the defendants.

More generally, the social desirability of contractual promises that prohibit reverse engineering is a complex question. See Pamela Samuelson, *Possible Futures of Fair Use*, 90 Wash. L. Rev. 815, 859–60 (2015) (“As part of a confidentiality agreement between a startup and a big firm, for example, the startup’s insistence on a contractual restriction on reverse engineering . . . would very likely be respected. The same restrictions in a mass-market license agreement for software might be treated quite differently.”). If one believes that enforcing those arrangements is undesirable, or at least sometimes undesirable, a separate question is whether they should be regulated by copyright preemption doctrine, patent preemption doctrine, antitrust law, copyright misuse, or another legal tool altogether. The European Union, for example, directly addresses this issue as part of its Directive 2009/24/EC on the legal protection of computer programs. Council Directive 2009/24/EC, 2009 O.J. (L 111). Article 6 of the Directive permits copying of parts of a software that are “indispensable to obtain the information necessary to achieve the interoperability of an independently created computer program with other programs.” Id. at art. 6. Article 8 states that “[a]ny contractual provisions contrary to Article 6 . . . shall be null and void.” Id. at art. 8. It might be advisable to provide a similar mechanism under U.S. law. Article 6 is limited, however, and it is therefore unclear if the defendants in either *Bowers* or *Davidson* would have been able to use it. For example, one may doubt if allowing pirated copies to use an online gaming server, as the *Davidson* defendants did, doesn’t “unreasonably prejudice[] the rightholder’s legitimate interests or conflict[] with a normal exploitation of the computer program,” which is not allowed under Article 6. Id. at art. 6. A full analysis of those questions is beyond the scope of this Article.

<sup>280</sup> Those are the six activities that are listed in the preamble to § 107 of the Copyright Act. 17 U.S.C. § 107 (2012) (“[T]he fair use of a copyrighted work . . . for purposes such as criticism, comment, news reporting, teaching, . . . scholarship, or research, is not an infringement of copyright.”). Those activities are typically presumed fair, although they are not always fair, nor is fair use limited to just those activities. See Barton Beebe, *An*

*C. Limitations and Caveats*

The previous Section suggests that there is a significant discrepancy between the predictions of many commentators and reality, as reflected in the Preemption Decisions. The doomsday scenarios that were expected if courts adopted the no-preemption approach did not come to fruition. Most courts did adopt *ProCD*'s no-preemption approach and yet, the Preemption Decisions do not seem to cast a shadow on or endanger the core principles of copyright policies. Before continuing to the discussion on the explanations for and the implications of this observation, the limitations of the population of cases should be considered.<sup>282</sup>

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Empirical Study of U.S. Copyright Fair Use Opinions, 1978–2005, 156 U. Pa. L. Rev. 549, 609–10 (2008).

<sup>281</sup> Except for the reverse engineering cases, see *supra* note 279, other references in the Preemption Decisions to fair use, or to activities that are considered fair use, are sporadic and rare. In one such case, for example, the defendant allegedly made copies of the plaintiff's copyrighted publications and distributed them in breach of the parties' subscription agreement. *Lowry's Reports v. Legg Mason, Inc.*, 186 F. Supp. 2d 592, 593 (D. Md. 2002). The court held that the contract was not preempted because "the unique terms of the parties' express contract here essentially establish[] a private law governing fair use of the copyrighted works *inter partes*." *Id.* at 594–95. However, the court later held that the use in this case was not fair. *Lowry's Reports v. Legg Mason, Inc.*, 271 F. Supp. 2d 737, 748–49 (D. Md. 2003). Because the defendant's actions in that case were copyright infringement, it is doubtful that contract law actually provided any remedy that was not already available under copyright law. Another example of a preemption case that touches on fair use is the recent decision delivered as part of the ongoing dispute between TV broadcasters and DISH Network. *Fox Broad. Co., v. Dish Network LLC*, 160 F. Supp. 3d 1139 (C.D. Cal. 2015). DISH was sued for providing its consumers with advance services, including Hopper Transfer, which allowed users to watch recorded content everywhere using the Internet. *Id.* at 1149, 1155. One of the parties' agreements provided that, subject to certain detailed restrictions, DISH will not authorize retransmission of the signals it receives from the broadcaster. *Id.* at 1151–52. The court analyzed DISH's offering and compared it to the parties' contract, focusing on those negotiated restrictions, and concluded that DISH breached the contract. *Id.* at 1178–81. It then went on and explained that "[f]air use is not a defense to a breach of contract claim" and that the fact that the contract included carve-outs that were different from the fair use doctrine makes the contract different enough from copyright, and thus not preempted. *Id.* at 1178–79.

In addition, in some of the Preempted Decisions the contracts in question prohibited copying without specifying that copying that is fair use is allowed. See also *supra* text accompanying notes 278–81. While those can be seen as contracting around fair use, in those disputes, the actions for which the defendants were sued were not fair use.

<sup>282</sup> This Section considers the potential limitations that are byproducts of a study of court opinions. Addressing those limitations is crucial as one considers what conclusions can and cannot be deducted from this study. A different set of limitations, that might not go to the

Reviewing court decisions can provide valuable information about the type of disputes that get litigated to their conclusion. It can tell us less about cases that settled before completion. And it can tell us even less about disputes that settled outside of court, for example through arbitration or just by complying with a “cease and desist” letter. And of course, it provides weak indications about the behavior of those who just choose to comply with the contractual terms. Therefore, this study cannot rule out, for example, that pure consumers’ standard-form agreements that include “no parody,” “no use of ideas,” or “no criticism” provisions not only exist but have a de facto effect on individuals’ behavior and their creativity output. Maybe the beneficiaries (i.e., the promisees) of those theoretically possible “no parody” provisions routinely threaten those who create parodies, and those threats cause the potential parody authors to refrain from creating more parodies or to withhold them from the public, which is likely socially harmful?

While I cannot rule out the existence of such a practice—after all, proving the negative is rarely feasible—I find it implausible that it exists in large numbers. It is possible but unlikely that such contracts would be routinely performed but never litigated. The legal enforceability of such agreements is less than obvious. While *ProCD* was broadly adopted by federal circuit courts, it was not universally accepted and so it is unlikely that litigated disputes over the preemption of such contracts would never arise, especially in those jurisdictions that have not adopted the no-preemption approach, or those that rejected it altogether.

Moreover, beyond preemption, one can think of many other defenses to a “no parody” breach of contract claim, including unconscionability, public policy, and more.<sup>283</sup> Similarly, while mandatory arbitration provisions are common and typically enforceable, many agreements do not include them and even those that do are subject to legal challenges that would be reflected in the case law.<sup>284</sup> And while the existence of a

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core of the arguments this Article makes, has to do with the actual method in which the Preemption Decisions were identified. That method and those limitations are explored in the Appendix.

<sup>283</sup> See *infra* text accompanying notes 312–20.

<sup>284</sup> See, e.g., *Hernandez v. DMSI Staffing, LLC*, 2017 WL 631692, at \*1 (9th Cir. Feb. 16, 2017) (holding that the enforcement of an arbitration was contrary to public policy); *Mohamed v. Uber Techs.*, 848 F.3d 1201 (9th Cir. 2016) (holding that certain elements in an

contract might provide legitimacy in the eyes of some<sup>285</sup> and might deter others from challenging its terms, it is inconceivable that it will deter all. After all, parties routinely challenge the enforceability of arbitration agreements, non-disclosure provisions, noncompete promises, and exculpatory clauses.<sup>286</sup> Is it really probable that parties would never challenge, but still obey, a contractual provision that prevents them from creating a parody or using an idea?

For these reasons, I believe that it is unlikely that even with the dominance of *ProCD*'s no-preemption approach no defendant would ever choose to fight those contractual claims in court. Those contractual claims are so offensive that one can imagine pro-bono lawyers and certain users' rights groups and creators' organizations that would be more than willing to challenge them in court.<sup>287</sup>

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arbitration agreement were not unconscionable but that other provisions in the agreement were unenforceable while the dispute with some parties was not subject to arbitration at all).

<sup>285</sup> See, e.g., Tess Wilkinson-Ryan, *The Behavioral Paradox of Boilerplate*, Cornell L. Rev. (forthcoming 2017) (claiming that parties perceive terms in standard-form agreements that they did not read to be more legitimate, morally and legally, than terms that are not part of their contract).

<sup>286</sup> E.g., *Weaver v. Am. Oil Co.*, 276 N.E.2d 144, 147–48 (Ind. 1971) (holding an exculpatory clause and an indemnification clause unenforceable because of unconscionability and public policy); *Eagle v. Fred Martin Motor Co.*, 809 N.E.2d 1161, 1164, 1180 (Ohio Ct. App. 2004) (holding an arbitration provision and a non-disclosure provision in a consumer form agreement unenforceable because of unconscionability); *Tayar v. Camelback Ski Corp.*, 47 A.3d 1190, 1203 (Pa. 2012) (holding that a release of liability for reckless conduct is unenforceable as against public policy); *Murfreesboro Med. Clinic, P.A. v. Udom*, 166 S.W.3d 674, 683 (Tenn. 2005) (holding a noncompete provision unenforceable as against public policy); *Zachry Const. Corp. v. Port of Hous. Auth. of Harris Cty.*, 449 S.W.3d 98, 116 (Tex. 2014) (holding that a prebreach release from liability for breach of contract is unenforceable as against public policy); *supra* note 284.

<sup>287</sup> A very recent set of events might provide a pertinent example. On June 26, 2017, Zillow Group ("Zillow"), an online real estate database company that operates popular websites, such as Zillow.com, sent a cease and desist email to Kate Wagner. Wagner operates a little-known blog, McMansion Hell, which included parodies of some of the photographs found on Zillow.com. Zillow's letter argued that Wagner's actions violated the website's Terms of Use, constituted an infringement of copyright, and violated the federal Computer Fraud and Abuse Act, 18 U.S.C. § 1030 (2012). Letter from Zillow Grp. to Kate Wagner, Creator of 'McMansion Hell' (June 26, 2017), [https://www.eff.org/files/2017/06/29/zillow\\_letter\\_to\\_kate\\_wagner\\_-\\_2017.06.26.pdf](https://www.eff.org/files/2017/06/29/zillow_letter_to_kate_wagner_-_2017.06.26.pdf) [<https://perma.cc/SK4E-BXQ9>]. Wagner took down her website and published the letter on social media, where it drew much attention and passionate reactions. Those reactions included offers for legal assistance and a "PR Debacle for Zillow." Jeff John Roberts, *Lawyers Rally to Save 'McMansion Hell' from Zillow's Copyright Claim*, *Fortune: Tech* (June 27, 2017), <http://fortune.com/2017/06/27/mcmansion-hell/> [<https://perma.cc/CWY9-7HDB>]. The next day, the Electronic

The potential saliency of such incidences, if they indeed happen, would make it unlikely that they would go unnoticed. In other words, it is hard to imagine that promisees, on a large scale, try to enforce “no parody,” “no use of ideas,” or similar contractual provisions and that this practice goes unnoticed. The fact that such disputes are not found in the case law and are not routinely discussed in the copyright or contract literature suggests that they probably do not exist, at least not in significant numbers. The next Section provides another reason for the unlikelihood of those practices: contract law is just an inefficient legal tool to achieve such a level of control over users, even if creators are inclined to have that control. To that argument, this Article now turns.

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Frontier Foundation (“EFF”), the leading nonprofit organization defending civil liberties in the digital world, agreed to represent Wagner pro bono. Two days later, the EFF sent a letter to Zillow, arguing its claims were meritless. Among others, the EFF explained that the contractual claim was baseless because Zillow’s browser-wrap agreement was not accepted by Wagner, and because Wagner is entitled to a variety of defenses under state contract law, including unconscionability and public policy, and under the newly enacted Consumer Review Fairness Act of 2016, see *supra* note 221. Letter from Elec. Frontier Found. to Brad Owens, Zillow Grp. (June 29, 2017) [https://www.eff.org/files/2017/06/29/wagner\\_eff\\_letter\\_to\\_zillow\\_-\\_2017.06.29.pdf](https://www.eff.org/files/2017/06/29/wagner_eff_letter_to_zillow_-_2017.06.29.pdf) [<https://perma.cc/H9QD-GP43>]. Within hours Zillow released a statement that it “decided against moving forward with legal action,” and Wagner’s website was back online. Daniel Nazer, *McMansion Hell Responds to Zillow’s Unfounded Legal Claims*, Electronic Frontier Found. (June 29, 2017, 5:00 PM), <https://www.eff.org/deeplinks/2017/06/mcmansion-hell-responds-zillows-unfounded-legal-claims> [<https://perma.cc/FS8F-DWEG>].

A full analysis of those events and their significance is beyond the scope of this Article, but I believe that some initial conclusions can be drawn. First, as many people already know, at times big corporations threaten individuals, whether or not their claims have legal merits. Second, contract law can be used to facilitate some of those threats. Zillow’s letter, however, shows that big corporations might use such bullying techniques even if the law is likely not on their side. Third, and most important to this Article, these events show that such an attempt to silence a parodist stands out as very unusual and that these attempts attract strong negative reactions from online communities. Luckily, this event shows that legal scholars and powerful nonprofit organization are willing to fight for the right of the parodist. Fourth, EFF’s letter demonstrates a claim that will be made later in the Article—preemption is not the only, or even the main tool, that should regulate contractual abuse. See *infra* Subsection III.D.4. Indeed, EFF’s letter did not even raise the possibility that Zillow’s contractual claim was preempted. Finally, this set of events shows that when legal bullies are confronted, they typically back off. Indeed, it was much easier for Zillow to raise baseless claims in an email to Wagner than to make similar arguments in court. It is, however, possible that when the threat of a powerful corporation is not as extreme, the threatened party would not be provided the type of help that Wagner received and the legal bully might, unjustifiably, prevail.

*D. Explaining the Discrepancy*

The previous Sections describe a discrepancy between the meaningful ways in which contract law was expected to affect and disturb copyright policy and the modest impact, if at all, that it so far seems to have had. This Section provides several explanations as to why that is the case. In other words, the question is why the Preemption Decisions do not include more aggressive practices, such as standard-form agreements with “no parody,” “no criticism,” and “no usage of ideas” clauses.<sup>288</sup>

I believe that the main reason for the nonexistence of those litigated contracts, and the main phenomenon that this absence demonstrates, is that contracts are not an effective tool to exercise tight control on a large scale over information and information goods. Those creators and distributors who want to exercise this tight control will find contract law an inferior tool in comparison to many other legal and nonlegal mechanisms, including copyright law.

*1. Contractual Privity and Control over Information*

The requirement of contractual privity is simple yet powerful. “Putting aside the special cases of intended third party beneficiaries and defective product warranties, in order for some party (A) to sue another party (C) for breach of contract, A and C must have entered into an agreement at some point.”<sup>289</sup> Proving privity, however, can be a real challenge when a distributor tries to contractually control the use of information and information goods. As a result, it might be difficult for

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<sup>288</sup> One theoretically possible explanation is that the negative scholarly response to *ProCD*'s no-preemption approach, by itself, caused parties to refrain from drafting or enforcing such contracts. I find this possibility very unlikely. It is quite doubtful that an argument that was, for the most part, unable to convince courts to reject the no-preemption approach, convinced large for-profit corporations. Considering the wide adoption of the *ProCD* approach, it is hard to imagine that such corporations would refrain from enforcing their contractual rights because of their fear that a court would change its course, accept the scholarly consensus, and find their claim preempted.

<sup>289</sup> Robert P. Merges, *The End of Friction? Property Rights and Contract in the “Newtonian” World of On-Line Commerce*, 12 *Berkeley Tech. L.J.* 115, 119 (1997); see also Merges, *supra* note 271, at 1507–09 (discussing the difficulties that privity might present to contractual disputes regarding patent licenses and concluding that “[p]rivacy issues show that, compared to rights under contract, property rights are robust”).

creators of information goods to contractually control the ways in which consumers use their products, even if such use is done publically.<sup>290</sup>

Let's assume, for example, that J.K. Rowling tries to contractually limit the ways in which users use *Harry Potter and the Sorcerer's Stone*. She includes a shrink-wrap agreement with every copy of the book that provides that the users are prohibited from copying (i) the ideas expressed in the book and (ii) the ways in which these ideas are expressed in the book, including any part of the text. Let's further assume that a few years after the book is published and becomes a tremendous success Rowling discovers that Alice published a book about a school for teenage magicians. At the same time Rowling also discovers that Bob published a book about a school for teenage magicians, with a protagonist who is an eleven-year-old child who grew up unaware of his magic powers, but who actually encountered and killed a powerful villain as a baby, an incident that left a scar on his forehead. As the protagonist in Bob's story is learning to be a magician, the antagonist—that villain—is coming back from the dead. Rowling believes that Alice and Bob copied ideas from her book and that Bob also copied some of their expressions.

Copyright law might allow Rowling to successfully sue Bob and in such case she will only need to prove that Bob, in fact, copied a substantial amount of the expressions of ideas in her book. Copyright law, of course, does not provide a remedy for the copying of ideas and so Rowling will have no cause of action under copyright law against Alice.

Can contract law assist Rowling? The first problem that Rowling will face in any contractual dispute against Alice or Bob is proving privity—proving that she entered a contract with any of them. Proving the existence of the shrink-wrap would not suffice because shrink-wraps are accepted by opening the product (tearing up the wrap).<sup>291</sup> Even if one believes that Bob accessed Rowling's work there are numerous ways for

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<sup>290</sup> Limitation on private use creates a host of difficulties. On one hand, in recent decades Congress and courts have shown increased willingness to allow copyright to regulate private use. See Jessica Litman, *Lawful Personal Use*, 85 *Tex. L. Rev.* 1871, 1872–74 (2007). On the other hand, however, monitoring private use remains taxing. It can be difficult to know when users copy information privately. Contract law does not seem to improve the right-holders' ability to monitor private use. A full analysis of control over private use is beyond the scope of this Article.

<sup>291</sup> *ProCD*, 86 F.3d at 1449.

him to gain that access without accepting the contract: he could have purchased a used book, watched the movie, heard others speak about it, and so on.<sup>292</sup> Proving privity with respect to Alice is even more challenging because Alice could have been inspired to write about a school for magic without ever reading or knowing about Rowling's work. That idea, in its abstract form, did not originate with Rowling.<sup>293</sup>

Therefore, Rowling would find it difficult to contractually control the use of her book and even more difficult, probably impossible, to contractually control the use of her ideas. This difficulty is neither accidental nor limited to this specific example.

"Information wants to be free" states a famous catchphrase, typically attributed to Stewart Brand, and commonly used by those who call for broader access to information goods.<sup>294</sup> Information, of course, does not want anything. But the meaning of that statement is that it is extremely difficult to tightly control the flow of information. Intangible goods, exactly as the name suggests, cannot be touched or grasped or have any physical presence, and as such it is difficult to contain them. But the privity problem is, in essence, a problem of contamination. It requires the distributor of the work—the J.K. Rowlings of the world—to make the access to their work contingent on acceptance of the contract. It obliges them to prevent spillovers—letting anyone access the work without accepting the contract.

The more control the creator wants, the more challenging the prevention of spillovers will become. The smaller the unit one tries to control, the tighter the net she must cast. If authors want to limit just the

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<sup>292</sup> It should be noted that copyright law also requires the plaintiff to prove a certain relationship to the defendant—that of access. Rowling will need to prove that Bob copied from her book, which would require her to prove he accessed it. This is much easier to prove, however, than contractual privity. In this case, for example, the "widely disseminated" rule in copyright law would greatly assist Rowling in her copyright claim against Bob. Under this rule, plaintiffs can prove access by showing that their work was widely disseminated. *Three Boys Music Corp. v. Bolton*, 212 F.3d 477, 482 (9th Cir. 2000). Therefore, it will be trivial for Rowling to prove that Bob accessed her successful work. Contract law provides no such shortcuts in proving privity.

<sup>293</sup> One can think of many sources for such an idea, including the X-Mansion in the X-Men series, Unseen University from Terry Pratchett's Discworld Series, Wizard's Hall in Jane Yolen's novel of the same name, and more.

<sup>294</sup> See Frischmann & Lemley, *supra* note 31 (claiming that the benefits of information goods tend to spill over); Wagner, *supra* note 31 (suggesting that intellectual property law cannot perfectly control the flow of information).

use of their books in their entirety, they need to limit the spillover of entire books, but, on the other extreme, if they try to control every idea, the anti-spillover net will need to be impossibly tight. An author probably cannot effectively prevent people from discussing the content of a movie or a book. That kind of information “wants” to be free—meaning it cannot be contained by the strings of contractual privity nets.<sup>295</sup>

Some might suggest that modern digital technology makes the containment of information more feasible. The popularity of written communication in the digital age—more text messages, online postings, and emails, and fewer conversations—facilitates quicker and easier standard-form contracting.<sup>296</sup> While standard-form agreements have been a common phenomenon for many decades, digital technology makes click-wraps and browser-wraps easier and cheaper to form, and more widespread.

Moreover, it might be easier nowadays to document our digital activities in a way that can make it easier to prove that users accepted a click-wrap agreement. Publishers might be unable to prove whether a potential defendant opened the wrap of a shrink-wrap contract that was attached to a book, but it is at least conceivable that they will be able to better know if a user clicked on a click-wrap agreement that was attached to an electronic book. Moreover, technology might allow them to distribute the electronic book in a way that would force every user, not just the original purchaser, to click on the click-wrap as a condition to access the good, thus improving their control over the technology.<sup>297</sup> Click-wraps that pop-up every time a user installs software might be the best example of such a phenomenon.

This argument, however, should not be taken to the extreme. First, the technology that currently exists, and even the kind of technology we can currently reasonably envision, does not offer the kind of control that

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<sup>295</sup> See Merges, *supra* note 289, at 120–21 (discussing the need to maintain a “chain of privity”).

<sup>296</sup> See Margaret Jane Radin, *Humans, Computers, and Binding Commitment*, 75 *Ind. L.J.* 1125, 1126–27 (2000).

<sup>297</sup> Radin has famously called those contracts “‘viral’ contracts.” *Id.* at 1128; see also Niva Elkin-Koren, *What Contracts Cannot Do: The Limits of Private Ordering in Facilitating a Creative Commons*, 74 *Fordham L. Rev.* 375, 390 (2005).

would allow publishers to guarantee privacy.<sup>298</sup> As long as people can freely communicate with one another, publishers will not be able to completely control the distribution of ideas or guarantee that such distribution would be subject to certain contractual restrictions. Moreover, as technology evolves, the ways in which users *consume* information goods expand as well, which makes controlling and contaminating of information more difficult. Users now communicate and exchange information and information goods in innovative ways, including, for example, Facebook, Snapchat, Torrent, and Instagram, or even just through digital photography, as digital cameras become tremendously ubiquitous and carried by most Americans everywhere they go.<sup>299</sup> Contractually controlling those ways of distribution is expected to be difficult.

Consider, for example, a hypothetical case of a researcher who creates a statistical chart, which is unprotected by copyright, and tries to prevent others from copying it. Modern technology allows the researcher to distribute the chart in an electronic file that will include a pop-up click-wrap agreement prohibiting copying. Other technology, however, would make this contract difficult to enforce. In practice, the researcher cannot effectively prevent users from photocopying the chart, and the ubiquity of computers and digital cameras would make this copying extremely easy. Similarly, contract law is not an effective weapon to prevent a copy of the chart to be reproduced online, to a website, a server, or any of the dozens of social media services. Once it is uploaded, contract law is ineffective in preventing users from downloading and using the chart. Indeed, while technology offers better and quicker contracting, it also fosters quicker and wider distribution of information.

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<sup>298</sup> Of course, some might be able to envision more futuristic technology than others. Nimmer and his coauthors, for example, described a dystopian future in which all information goods—poetry, fine art, films, music—are consumed through one, and only one, device. Nimmer et al., *supra* note 3, at 20–21. That device guarantees “that no one anywhere can ever obtain access to any protected works in any form whatsoever without personally clicking on the” form agreement. *Id.* “Clicking” is done by blinking while the device records the brainwaves of the accepting party. Putting aside how likely this scenario is in the long run, I don’t consider it likely in the near future. *Id.* at 21–22. It should be noted that the authors placed their story eleven years in the future . . . in 2010.

<sup>299</sup> Aaron Smith, U.S. Smartphone Use in 2015, Pew Res. Ctr. (Apr. 1, 2015), <http://www.pewinternet.org/2015/04/01/us-smartphone-use-in-2015/> [<https://perma.cc/K7F6-CC7P>] (“Today nearly two-thirds of Americans own a smartphone.”).

Guaranteeing that all recipients of information and information goods accept a contractual limitation is, therefore, close to impossible. Modern technology does not change the core premise—information tends to be free and escapes control. Consequentially, from the creators' and distributors' perspectives, privity remains a significant challenge that severely limits their abilities to replace copyright law with contracts on a large scale.

## *2. Remedies for Breach of Contract and Secondary Liability*

The limitation on contractual remedies provides another obstacle, on top of privity, to those who would be trying to implement a broad scheme to control information and information goods using contracts. The main remedy for a breach of contract is expectation damages.<sup>300</sup> That measure reflects the actual proven harm suffered by the plaintiff.<sup>301</sup>

That makes contract law less efficient in certain situations, including when the harm is difficult to prove and when significant damage is caused by a large group of promisors, each causing just a small harm. As the plaintiff must bear the cost of the litigation, it is typically not worthwhile to sue unless the proven harm caused by the defendant is significant. The harm of unrestricted use of information goods is, however, typically caused by many users, each contributing a small harm.

Consider, for example, how contract law can address the type of damage to music labels or movie studios from online piracy. Copyright law offers several legal mechanisms that allow the publishers to mitigate the damage from piracy. First, copyright law offers generous remedies that include, on top of actual harm and disgorgement of the defendant's profits, statutory damages, which can be as high as \$150,000 per work

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<sup>300</sup> This is, of course, not the only remedy available in a contractual dispute. While expectation damages are the most common remedy, courts may also, *inter alia*, issue injunctions to prevent future breaches, order restitution, and grant reliance damages. In rare cases, courts may also order the disgorgement of the defendant's profits. Unless the defendant's behavior is tortious, however, courts cannot grant punitive damages, and statutory damages are not available. See, e.g., *U.S. Naval Inst. v. Charter Commc'ns*, 936 F.2d 692, 696 (2d Cir. 1991) (“[P]unitive awards are not part of the law of contract damages.”). Therefore, the availability of other remedies, on top of or instead of expectation damages, does not undermine the argument made in these paragraphs.

<sup>301</sup> See, e.g., *Freund v. Wash. Square Press*, 314 N.E.2d 419, 420–22 (N.Y. 1974).

infringed.<sup>302</sup> Those remedies are not available in contractual disputes, and the law clearly disallows punitive damages and limits the parties' ability to contractually set their own damages in case of a breach.<sup>303</sup>

In addition, copyright law, unlike contract law, provides a cause of action against those who contribute to the infringement of others.<sup>304</sup> This legal doctrine—secondary copyright liability—allows copyright owners to minimize mass piracy by suing those that facilitate users' copyright infringement, such as Napster or Grokster, which is typically significantly easier than suing thousands of users.<sup>305</sup> Contract law provides no comparable tool.<sup>306</sup>

Consequently, if a publisher tries to use contract law to control the copying or distribution of information goods that are not protected by IP rights, its ability to fight piracy, meaning mass use that is inconsistent with the terms of the contract, will be limited. It will only be able to sue individual users for actual harm caused, which will likely be impractical. It is therefore not surprising that practically all the disputes discussed in the Preemption Decisions were between businesses and professionals.

### 3. Encryption

The previous Subsections suggest that contracts cannot provide an effective way to limit the use and distribution of information goods and that it is inferior to copyright law in doing so. This might explain why the kind of contracts that some have predicted—those that include “no parody” or “no use of ideas” provisions—do not exist, at least not among the Preemption Decisions. This Subsection suggests that

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<sup>302</sup> 17 U.S.C. § 504 (2012). See *Capitol Records v. Thomas-Rasset*, 692 F.3d 899, 901–02 (8th Cir. 2012) (ordering the defendant to pay \$220,000 in statutory damages for downloading and uploading twenty-four copyrighted songs, which caused minimal actual harm to the plaintiff).

<sup>303</sup> Restatement (Second) of Contracts § 355 (Am. Law Inst. 1981) (“Punitive damages are not recoverable for a breach of contract.”); id. § 356 (“A term fixing unreasonably large liquidated damages is unenforceable on grounds of public policy as a penalty.”).

<sup>304</sup> *Perfect 10 v. Amazon.com*, 508 F.3d 1146, 1169–70, 1173 (9th Cir. 2007) (specifying the principles of contributory infringement and vicarious liability under copyright law).

<sup>305</sup> See *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005); *A&M Records v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001).

<sup>306</sup> A somewhat equivalent cause of action with respect to contract law is tortious interference with contractual relationship. However, this cause of action is not only difficult to prove at times but it is often preempted by the Copyright Act. See *supra* text accompanying notes 92–94.

contracts are not only inferior to copyright, but that they are also inferior to another method of controlling information: encryption.

Encryption allows publishers to self-enforce certain restrictions on the use of their products. Thus, distributors of DVDs can encrypt them in a way that would prevent others from copying any part thereof, or would make it viewable only in certain times or in certain locations.<sup>307</sup> In this way, the publishers can enforce those restrictions without resorting to expensive litigation. If the encryption tools—typically called Digital Right Management (“DRM”) devices—are attached to the copies of the work before they are distributed—a common scheme—the publisher can enforce those limitations on downstream possessors and overcome the privity problem. DRMs can, of course, be circumvented, but since the passage of the DMCA in 1998, the circumvention of most DRMs and the distribution of circumvention tools is illegal.<sup>308</sup> The DMCA anticircumvention provisions are subject to limited defenses, and in most cases, circumvention of a DRM, even for fair use purposes, is illegal.<sup>309</sup>

Since the passage of the DMCA, DRMs have become ubiquitous: for example, Apple’s Fairplay can restrict song playing to “activated computers” and can disincentivize sharing them; Microsoft’s Windows Media DRM can restrict when users access media, how many times they can play it, and how many copies of it they may create; Adobe’s Digital Editions restrict media access only to “activated computers” and facilitates limitations on the duration of the use license and on printing;<sup>310</sup> and the list goes on. The prevalence of DRMs likely reduces the need of information good distributors to rely on contracts to limit the use of information goods. DRMs, compared to contracts, typically provide a more efficient tool to control the ways in which a large

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<sup>307</sup> See *Universal City Studios v. Reimerdes*, 111 F. Supp. 2d 294, 303 (S.D.N.Y. 2000), *aff’d sub nom. Universal City Studios v. Corley*, 273 F.3d 429 (2d Cir. 2001) (discussing this technological device and its circumvention).

<sup>308</sup> 17 U.S.C. § 1201 (2012).

<sup>309</sup> *Corley*, 273 F.3d at 458–59. But see *Chamberlain Grp. v. Skylink Techs.*, 381 F.3d 1178, 1199 n.14 (Fed. Cir. 2004) (“We leave open the question as to when [fair use] might serve as an affirmative defense to a prima facie violation of [the anticircumvention provision].”). The ways in which DRMs might limit fair use, a highly controversial issue, received much attention in copyright literature in the last fifteen years. This topic is well beyond the scope of this Article.

<sup>310</sup> Gideon Parchomovsky & Philip J. Weiser, *Beyond Fair Use*, 96 *Cornell L. Rev.* 91, 115–18 (2010) (internal quotation marks omitted).

number of users use information goods. Those devices can still be circumvented, but, for many users, the trouble and resources required for such circumvention are not worth the additional benefits of de facto (yet typically illegal) unrestricted use.<sup>311</sup>

#### *4. Other Legal and Nonlegal Restrictions*

The previous Subsections suggest that contracts are not an effective mechanism to restrict usage by users. Other tools, such as copyright infringement claims and encryption, can apply such restrictions more cheaply, easily, and effectively. Therefore, while the attractiveness of contracts, as providing an additional means of flexible control is clear, the usefulness of contracts is quite limited. This is probably the main reason for the nonexistence of true consumers' standard-form agreements within the Preemption Decisions.

The practical difficulties in exercising control by contracts, however, are probably just part of the explanation. In addition, regardless of preemption, regulation by contracts is subject to other legal and nonlegal constraints that can limit certain aggressive practices.<sup>312</sup> While this Article cannot list and analyze all applicable legal limitations,<sup>313</sup> a few can be mentioned. The legal limitations include doctrines such as unconscionability—which directs courts to refrain from enforcing contracts, especially form agreements, whose terms “shock the

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<sup>311</sup> It should be noted that while encryption allows the publishers to restrict the ways in which users use their products, including in ways that might go beyond copyright law, like restrictions on fair use, it does not provide them with absolute control. In particular, encryption typically cannot effectively restrict the copying of ideas, and in many cases, it has limited ability to restrict the copying of certain expressions. Thus, for example, DRMs cannot typically prevent a downstream buyer from creating a parody of a work. A full analysis of DRMs and their effect on the creation and distribution of information goods is well beyond the scope of this Article. See also Timothy K. Armstrong, *Digital Rights Management and the Process of Fair Use*, 20 *Harv. J.L. & Tech.* 49, 60–65 (2006) (discussing some limitations on DRMs, technical restrictions, and market pressure).

<sup>312</sup> Those legal and nonlegal constraints on contractual freedom have been discussed extensively in the legal literature. Radin, in her recent book about standard-form contracting, probably provides the most complete account of that previous work, especially in chapters 7 and 10. Radin, *supra* note 3. A full analysis of those constraints is well beyond the scope of this Article.

<sup>313</sup> Applying these doctrines raises questions that go beyond the scope of this Article, including whether, and to what degree, should those doctrines take into account copyright policy. This is an interesting and complex question partly because many of those doctrines are not part of federal law but of state contract law.

conscience”;<sup>314</sup> public-policy doctrine—which directs courts not to enforce contracts that are against public policy;<sup>315</sup> copyright misuse—which denies copyright protection from those who severely abuse their copyright;<sup>316</sup> antitrust law—which sanctions certain contracts that restrict competition;<sup>317</sup> the Consumer Review Fairness Act of 2016—which invalidates form contracts that impede consumer reviews;<sup>318</sup> and more. Granted, some of those doctrines, maybe all of them, restrict the enforceability of contracts, including consumers’ form agreements, only in limited, rare, and unusual cases. Unconscionability, for example, is often raised but rarely granted.<sup>319</sup> Those doctrines, however, could still have teeth, especially when it comes to extreme and unfamiliar contractual provisions.<sup>320</sup> A “no criticism” or “no parody” provision, if ever written and attempted to be enforced, would likely be perceived as rare, unusual, and grossly unfair, and thus might run afoul of those doctrines.<sup>321</sup>

In addition to legal restrictions, contracts are subject to nonlegal limitations as well. Extremely aggressive practices, even when backed by enforceable standard-form contracts, can harm the reputation of the party enforcing the contract.<sup>322</sup> In other words, a party can damage its good reputation and suffer harm by enforcing unusual and unfair contracts. Behavioral economics literature suggests that many people judge the fairness of commercial practices by comparing them to a

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<sup>314</sup> *Sanchez v. Valencia Holding Co.*, 353 P.3d 741, 748–50 (Cal. 2015).

<sup>315</sup> Restatement (Second) of Contracts § 178(1) (Am. Law Inst. 1981).

<sup>316</sup> *Lasercomb Am. v. Reynolds*, 911 F.2d 970, 976–79 (4th Cir. 1990).

<sup>317</sup> Sherman Antitrust Act, 15 U.S.C. § 1 (2012) (“Every contract . . . in restraint of trade or commerce . . . is declared to be illegal.”).

<sup>318</sup> 15 U.S.C. § 45b(b)(1) (2016).

<sup>319</sup> Radin, *supra* note 3, at 124–25 (“Unconscionability is typically claimed by recipients attempting to invalidate sets of boilerplate terms . . . . [However,] [c]ontemporary adherents to classical contract doctrine interpret unconscionability narrowly, focusing on the procedural aspect and discounting the substantive.”).

<sup>320</sup> See, e.g., U.C.C. § 2-302 cmt. 1 (Am. Law Inst. & Nat’l Conference of Comm’rs of Unif. State Law 2011) (suggesting that “[t]he principle [of unconscionability] is one of the prevention of oppression and unfair surprise”).

<sup>321</sup> See *supra* note 287 (exploring how the EFF pushed back on Zillow’s attempt to use contract law to silence a parodist. In their letter, the EFF raised many of the doctrines mentioned in this paragraph but did not mention copyright preemption).

<sup>322</sup> See *supra* note 287 and *infra* notes 333–36 and accompanying text.

benchmark “reference transaction.”<sup>323</sup> Therefore, most people perceive ticket scalping as grossly unfair because the price deviates so dramatically from the benchmark transaction—the face value of the ticket.<sup>324</sup> Similarly, one might expect that if a publisher tries to broadly enforce a standard-form agreement with a broad “no parody” or “no criticism” provision by suing users, the backlash will be harsh. It is quite possible that such practices will result in harming the plaintiff’s reputation significantly more than any parody could.<sup>325</sup>

#### IV. NORMATIVE IMPLICATIONS

The previous Parts explore the ways in which contract law and copyright law complete and conflict with each other. Those Parts focus on the Preemption Decisions—the set of 279 decisions in which courts decided whether a contract is preempted by copyright law. This Part discusses some of the normative implications. It first suggests that the analysis mostly supports *ProCD*’s no-preemption approach, and then it asks if that conclusion can be generalized to other areas of the law in which standard-form contracting might seem to conflict with existing underlying norms.

##### A. Copyright Preemption of Contracts over Information Goods

Review of the Preemption Decisions reveals a growing tendency among courts to enforce contracts over information goods. In many cases, such contracts are enforced without an in-depth analysis of their consistency or inconsistency with copyright law policy. In doing so,

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<sup>323</sup> Christine Jolls et al., A Behavioral Approach to Law and Economics, 50 *Stan. L. Rev.* 1471, 1496 (1998).

<sup>324</sup> *Id.* at 1511–12.

<sup>325</sup> The Recording Industry of America (“RIAA”) decision in 2008 to stop suing users for file sharing copyrighted songs is an example of this phenomenon. Legally, the RIAA’s position seemed strong. See *Sony BMG Music Entm’t v. Tenenbaum*, 719 F.3d 67, 72 (1st Cir. 2013) (ordering a user of a file-sharing software to pay \$675,000 in statutory damages for downloading and uploading thirty copyrighted songs); *Capitol Records v. Thomas-Rasset*, 692 F.3d 899, 901–02 (8th Cir. 2012) (ordering a user of a file-sharing software to pay \$220,000 in statutory damages for downloading and uploading twenty-four copyrighted songs). The five-year litigation campaign, however, was described as a “public-relations disaster,” which caused a backlash that led to its termination. Sarah McBride & Ethan Smith, *Music Industry to Abandon Mass Suits*, *Wall St. J.* (Dec. 19, 2008, 12:01 AM), <http://online.wsj.com/article/SB122966038836021137.html>.

courts adopt *ProCD*'s no-preemption approach. That same review, however, also suggests that the contracts parties seek to enforce through litigation typically represent standard commercial transactions between experienced parties. The parade of horrors that many scholars warned against did not materialize. These findings should provide strong support for Judge Easterbrook's position in *ProCD* and the no-preemption approach.

There are real advantages to *ProCD*'s bright-line rule. It allows parties to set their own arrangements, which are typically efficient and respectful of their autonomy. The *ProCD* approach also stresses the importance of freedom of contract and the value of keeping promises, and, no less important, it provides courts with a simple rule they can easily implement. Considering those benefits, if the adoption of the *ProCD* rule has not led, at least so far, to the horrible results that some commentators were concerned about, then the rationale for frustrating the parties' contractual arrangements is significantly weakened.

Rejecting *ProCD*'s no-preemption approach in favor of the facts-specific approach, whether as a matter of express preemption or conflict preemption, has additional costs. The facts-specific approach requires courts to distinguish contracts that are enforceable from those that are preempted. That so far has proven to be a very challenging and complex task. Moreover, considering how tangled contracts and copyright are and how widespread and vital contracts are in the various stages of the creative endeavor,<sup>326</sup> it is doubtful that a simple rule can be formulated in the future.

Consequently, revising the facts-specific approach to help it to better identify contracts that should be preempted will likely require courts to consider complicated questions regarding copyright policy and freedom of contracts.<sup>327</sup> It is doubtful that courts are the ideal forum to consider those questions.<sup>328</sup> Moreover, a complex multifactor test will inevitably

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<sup>326</sup> See *supra* Section I.A.

<sup>327</sup> For example, a group of prominent commentators (self-described as "The Copyright Principles Project") offered no less than nine factors that courts should consider when adjudicating copyright preemption of contracts claims. Pamela Samuelson et al., *The Copyright Principles Project: Directions for Reform*, 25 *Berkeley Tech. L.J.* 1175, 1236–37 (2010).

<sup>328</sup> That does not mean that specific norms cannot be identified to limit contractual freedom. For example, the Copyright Act currently provides that the rights of authors to terminate every transfer of their rights cannot be contracted away. 17 U.S.C. §§ 203(a)(5),

cause uncertainty, which might cause a chilling effect on contracting parties. For example, if *Desny* claims were not universally enforceable, but instead subject to complex and less predictable tests, some creators might be discouraged from sharing their ideas with potential producers. Finally, such tests will unavoidably result in judicial errors. Type I errors—false positives—are especially concerning. Courts will have a complex test for preemption of contracts and in applying it some of them will probably err in finding some contracts preempted. However, considering the type of contracts that are currently subject to this kind of litigation—reasonable commercial transactions—such a result is unlikely desirable.

Indeed, the costs attributed to such a complex facts-specific system seem unjustified when, *de facto*, the contracts being enforced through litigation represent reasonable commercial interactions.

### *B. The Enforceability of Standard-Form Agreements*

This Article suggests that the concerns some commentators raised about the enforcement of contracts—and in particular standard-form agreements—over information goods might have been exaggerated. But concerns over enforcement of standard-form agreements go far beyond copyright law policy. Can the conclusions of this Article be generalized and applied to other areas of the law? This Section argues that some of them can, although others will require additional analysis in future works.

Standard-form agreements gradually became more popular in recent decades and, in doing so, they raised serious concerns among commentators. Already in 1943, Professor Frederick Kessler criticized those form agreements, which he called “contracts of adhesion.”<sup>329</sup>

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304(c)(5) (2012) (“Termination of the grant may be effected notwithstanding any agreement to the contrary.”). It should, however, be noted that even this relatively simple restriction creates significant uncertainty as to what constitutes “agreement to the contrary” and what limits should be placed on contractual freedom in this context. See Rub, *supra* note 44, at 113–15 (discussing the case law regarding whether a “rescind and re-grant” of a license is considered “agreement to the contrary”). Similarly, as explored above, *supra* note 279, it is possible that contracts prohibiting reverse engineering should sometimes be unenforceable, although complex rules, maybe similar to those that exist under European Union law, would need to be in place to identify those unenforceable contracts. It might, however, be more suitable for Congress to pursue this approach.

<sup>329</sup> Kessler, *supra* note 37 (capitalization omitted).

Kessler claimed that by enforcing those agreements, “the law . . . does nothing to prevent freedom of contract from becoming a one-sided privilege” and enables “powerful industrial and commercial overlords . . . to impose a new feudal order of their own making upon a vast host of vassals.”<sup>330</sup>

This debate continues to the present day. Recently, Professor Omri Ben-Shahar offered to divide the commentators on the topic into two main camps, which he called the “autonomists” and “apologists.”<sup>331</sup> These two groups differ in some of the methods they use to evaluate standard-form agreements, as well as their conclusions regarding their overall desirability. The autonomists “focus on the ills of boilerplate as a process for contracting” and view “the exercise of boilerplate contracting as anything but a dignified, autonomous agreement.”<sup>332</sup> The apologists, in contrast, focus on the effects of the contracts. Their approach “measures the boilerplate phenomenon merely by its effect on consumers’ payoffs.” Indeed, “[b]oilerplate apologists regard the fine print as merely a feature of mass-produced products, and a welfare-increasing feature at that.”<sup>333</sup>

This Article uses the approach that many apologists use and supports many of their arguments. Some commentators who can fairly be described as apologists have claimed that focusing on the terms of the standard-form agreements misses the mark and inaccurately describes the reality in which consumers operate. Professor Lucian Bebchuk and Judge Richard Posner, for example, explained that when a company is subject to reputational constraints and its consumers are not—a common case—the company might draft a one-sided agreement to allow it to deal with extreme situations.<sup>334</sup> That company, however, will typically refrain from fully enforcing the contract:

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<sup>330</sup> Kessler, *supra* note 37, at 640; see also Slawson, *supra* note 37, at 531–33 (suggesting that standard-form agreements are unfair and should be subject to additional scrutiny).

<sup>331</sup> Ben-Shahar, *supra* note 39, at 884–85. As Ben-Shahar acknowledges, separating the participants in this decades-long lively scholarly debate into two groups is, by definition, inaccurate. However, “it is a useful generalization because so many commentators share a basic commitment to it as a foundation for normative claims.” *Id.* at 884. I too find this inaccurate generalization useful.

<sup>332</sup> *Id.* at 884–85 (emphasis omitted).

<sup>333</sup> *Id.* at 885.

<sup>334</sup> Bebchuk & Posner, *supra* note 34, at 829–31.

In this situation, seemingly one-sided terms may not be one-sided after all. The expected cost of the term to the buyer must be discounted by the likelihood that reputational considerations will induce the seller to treat the buyer fairly even when such treatment is not contractually required . . . . Sellers may . . . worry that a suit will injure their reputation for fair dealing (because the term *is* one-sided), or that the cost of the suit will be disproportionate to the expected benefit.<sup>335</sup>

Other apologists also focused on the *de facto* experience of consumers.<sup>336</sup> This work similarly demonstrates that one might get the wrong impression of a company and of its relationship with its consumers by focusing exclusively on the terms of its standard-form agreements. Focusing just on the text of the agreements ignores the company's practices in enforcing—or not enforcing—its contractual rights, which might be significantly more important to consumers.

The study reported in this Article demonstrates and supports this claim. It shows that when it comes to contracts over information goods, reading the standard-form agreements might create an incomplete picture. For example, Viva Moffat, who examined dozens of standard-form agreements, concluded that they pose a serious threat to copyright policy, and specifically to the scope of the fair use defense.<sup>337</sup> But this Article, focusing instead on litigated cases, observes that efforts to contractually limit fair use are rare and limited to specific areas within fair use: reverse engineering.<sup>338</sup> The Article suggests that for the most part, Bebchuk and Posner's predictions hold true: standard-form agreements might be one-sided, but sellers do not typically insist on fully enforcing their contractual rights.

The Article makes another argument that might be generalized. It demonstrates that even without a specific detailed regulatory scheme in

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<sup>335</sup> *Id.* at 830.

<sup>336</sup> E.g., Ben-Shahar, *supra* note 39, at 897–98 (contrasting the excitement of buyers of new iPhones with the harshness of Apple's standard-form contract); Jason Scott Johnston, *The Return of Bargain: An Economic Theory of How Standard-Form Contracts Enable Cooperative Negotiation Between Businesses and Consumers*, 104 *Mich. L. Rev.* 857, 858 (2006) (“[A] firm will often provide benefits to consumers who complain beyond those that its standard form obligates it to provide, and it will forgive consumer breach of standard-form terms. Firms do this because they have an interest in building and maintaining cooperative, value-enhancing relationships with their customers.”).

<sup>337</sup> Moffat, *supra* note 121, at 49.

<sup>338</sup> See *supra* text accompanying notes 278–81.

place—when it comes to contracts over information goods, that scheme is disappearing as the facts-specific approach loses ground—standard-form agreements cannot easily substitute certain areas of the law, and in particular certain property law rules. The need to establish privity, the limited remedies for breach of contract, and the need to engage in expensive litigation to enforce those rights can make mass contracts ineffective in controlling certain activities by the public at large. Future work might explore to what extent similar results are applicable in other areas of the law.

At the same time, one must not take this argument to the extreme. A full analysis of the potential threats of standard-form agreements to various legal schemes is well beyond the scope of this Article. Nevertheless, it is important to note that the framework explored in this Article is not universally applicable. Some types of standard-form provisions are probably routinely *de facto* enforced. Contractual provisions that shield sellers and service providers from significant liability seem like a clear example. Indeed, it is probable that a company will use an exculpatory clause to defend a tortious claim<sup>339</sup> or will try to force arbitration to block a class action.<sup>340</sup> Those practices might be subject to reputational constraints but the strength of those constraints depends on the reputation of the company, the salience of the plaintiffs' claims, how savvy buyers and potential buyers are, the competitiveness of the market in which the company operates, and more.<sup>341</sup> Therefore, the conclusion is that some of the findings of this Article can be generalized to other areas of the law, while caution is needed with respect to others. This issue will undoubtedly continue to attract more scholarly attention in the years to come.

#### CONCLUSION

For two decades, the consensus among copyright scholars has been that contracts over information goods pose significant risk to copyright policy and therefore must be subject to federal preemption. Judge

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<sup>339</sup> The enforceability of exculpatory clauses depends on the level of fault of the company and the jurisdiction. See Radin, *supra* note 3, at 138–40.

<sup>340</sup> *AT&T Mobility v. Concepcion*, 563 U.S. 333 (2011); Radin, *supra* note 3, at 6–7.

<sup>341</sup> On the abilities of the market to curtail standard-form contracting practices, see, for example, Radin, *supra* note 3, at 189–96, and Guy A. Rub, *Market Regulation of Contractual Terms: A Skeptical View*, 54 *Can. Bus. L.J.* 258, 265–70 (2013).

Easterbrook's opinion in *ProCD*, holding that contracts are not preempted by the Copyright Act, made that danger real.

Four decades of litigation, including two since *ProCD* was decided, suggest that those alarming prophecies were exaggerated. Most courts show little hesitation in adopting the *ProCD* approach, and yet, twenty-one years later, copyright law seems as strong as it has ever been. The rights of copyright owners and users with respect to information goods are still primarily determined by copyright law and not contracts. Contract law did not subvert or replace copyright law. Nor are contracts expected to substitute core copyright law norms in the future. Contracts are not designed, and are not able, to do so. Preempting contracts is therefore not needed and is unadvisable.

The effects of contract law, and in particular standard-form contracting, on underlying statutory arrangements is a complex topic that goes far beyond copyright law and has received much attention from contracts scholars. Future works will be able to use the findings of this Article to shed new light on this issue.

THE PREEMPTION DECISIONS, THEIR IDENTIFICATION, AND LIMITATIONS:  
A METHODOLOGICAL APPENDIX

The Article discusses 279 court decisions, referred to as the “Preemption Decisions,” that consider whether a breach of contract claim is preempted by federal copyright law. This appendix addresses three methodological questions regarding those Preemption Decisions. First, what method was used to identify those decisions? Second, what are the main limitations in that method? And third, what are the implications, or lack thereof, on those methodological limitations?

*A. Identifying the Preemption Decisions*

The 279 Preemption Decisions were identified by using the Westlaw database and employing the following process:

First, a broad search was conducted to find all the decisions that possibly discussed preemption of a breach of contract claim by federal copyright law. The search term that was used was: **(“preempt!” or “pre-empt!”) /p copyright) and (contract! or agreement! or licens!).** That search yielded 2,624 decisions.<sup>342</sup> The 91 of those decisions that were delivered before the effective day of the Copyright Act of 1976 (January 1, 1978) were ignored. The remaining 2,533 decisions were reviewed.

Two additional searches were conducted to supplement this initial search. First, Westlaw’s “Citing References” tool (equivalent to Lexis’s possibly more famous Shepard’s tool) identifies 1,803 decisions that cited the Copyright Act’s expressed preemption section—Section 301.<sup>343</sup> Of those decisions, 1,538 included the word contract, agreement, license, or simple versions thereof. Those opinions were identified by searching for **“agreement! or contract! or licens!”** within the 1,803 decisions that cited Section 301. There is a significant overlap between those 1,538 decisions and the 2,533 that were identified in the first search. However, 104 decisions found in the second search were not picked up by the first. Those decisions were also reviewed. In addition, the 63 decisions from the Supreme Court or federal courts of appeal that cited Section 301 that were not identified in the previous searches,

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<sup>342</sup> All the information in this appendix, and in this Article generally, is as of July 1, 2017.

<sup>343</sup> 17 U.S.C. § 301 (2012).

mainly because they did not include the word contract, agreement, or license, were also reviewed.

Overall, I reviewed 2,700 decisions. The vast majority of those decisions had nothing to do with the preemption of a breach of contract claim. Many of those decisions, while mentioning contracts, agreements, or licenses actually discussed other state law causes of action such as conversion, unfair competition, unjust enrichment, and tortious interference with contractual rights.<sup>344</sup> However, 279 decisions did address a claim that the breach of contract claim was preempted by copyright law.<sup>345</sup>

As part of the review process of those decisions, I verified that opinions that were cited in those decisions were also reviewed and, if needed, included within the Preemption Decisions. This provided

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<sup>344</sup> See, e.g., *Ehat v. Tanner*, 780 F.2d 876, 877–79 (10th Cir. 1985) (discussing the preemption of unfair competition and unjust enrichment claims); *Harper & Row Publishers v. Nation Enters.*, 723 F.2d 195, 199–201 (2d Cir. 1983) (discussing the preemption of conversion and tortious interference with contractual rights claims), rev'd on other grounds, 471 U.S. 539 (1985); *Raucci v. Candy & Toy Factory*, 145 F. Supp. 3d 440, 452–53 (E.D. Pa. 2015) (discussing the preemption of unjust enrichment and conversion claims in a decision that also addressed a breach of contract claim, but not the preemption thereof).

<sup>345</sup> The population includes only decisions that actually discussed the preemption of contract. While some of those discussions were short, see also *infra* note 346, opinions that affirmed a lower court decision without an opinion or without reasoning were not included in the population. See, e.g., *Boyle v. Stephens, Inc.*, 21 F. App'x 76, 77 (2d Cir. 2001) (affirming *Boyle v. Stephens, Inc.*, No. 97 CIV. 1351 (SAS), 1998 WL 690816 (S.D.N.Y. 1998), stating that “we affirm substantially for the reasons stated by the district court”); *Smith v. Weinstein*, 738 F.2d 419 (2d Cir. 1984) (affirming *Smith v. Weinstein*, 578 F. Supp. 1297 (S.D.N.Y. 1984), without an opinion). Those affirming decisions were still tracked and are discussed in this Article. See text accompanying *supra* notes 181–87.

In addition, two early decisions, *Konigsberg Int'l v. Rice*, No. CV 91-6398 MRP, 1992 WL 315225, at \*2 (C.D. Cal. 1992), aff'd, 16 F.3d 355 (9th Cir. 1994), and *Miller v. CP Chemicals*, 808 F. Supp. 1238, 1246 (D.S.C. 1992), that on their faces addressed the question of preemption of contracts were removed from the population. Those decisions analyzed whether an oral transfer of copyright was preempted in light of § 204 of the Copyright Act, 17 U.S.C. § 204, which requires any transfer of copyright, including exclusive licenses, to be in writing. Those decisions were excluded because this issue, which is beyond the scope of this Article, is typically discussed in the case law not under the auspice of federal preemption. See, e.g., *Radio Television Espanola S.A. v. New World Entm't, Ltd.*, 183 F.3d 922, 926–29 (9th Cir. 1999) (holding an exclusive license that did not comply with Section 204(a) “invalid” and dismissing a breach of contract claim without addressing preemption); *Valente-Kritzer Video v. Pinckney*, 881 F.2d 772, 774 (9th Cir. 1989) (dismissing a breach of contract claim, without discussing preemption, because “Section 204(a) not only bars copyright infringement actions but also breach of contract claims based on oral agreements”).

another method of verifying that the searches conducted reasonably captured the courts' opinions on this matter.<sup>346</sup> Indeed, only one decision<sup>347</sup> was added through that method to the Preemption Decisions population.

It should be noted that the Preemption Decisions population includes 279 decisions, not 279 cases. Indeed, in some instances, the Preemption Decisions include a decision by a lower court and a decision, in the same case, by an appellate court. For example, the population includes both the district court decision and the Seventh Circuit decision in *ProCD*.<sup>348</sup> In other cases, the Preemption Decisions include several distinguishable decisions from the same court in the same case.<sup>349</sup> On the other hand, in those rare cases in which a judge or a panel decided to issue a remanded opinion that superseded a previous opinion of that judge or panel, only the revised opinion was included within the Preemption Decisions. For example, on August 20, 2002, the Federal Circuit issued its opinion in *Bowers v. Baystate Technologies*, 302 F.3d 1334 (Fed. Cir. 2002), but on January 29, 2003, the court granted a petition for panel rehearing and vacated the 2002 opinion, 320 F.3d 1316 (Fed. Cir. 2003), and the panel issued a superseding opinion, 320 F.3d 1317 (Fed. Cir. 2003). Only the superseding opinion was included in the Preemption Decisions.

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<sup>346</sup> The Preemption Decisions significantly vary in the depth of their discussion of the issue of preemption of contracts. Some of them discuss the topic over many pages while others devote a sentence or two for that discussion. Some of the longer decisions include a detailed analysis of the previous decisions on this topic. See, e.g., *Canal+ Image UK Ltd. v. Lutvak*, 773 F. Supp. 2d 419, 441–46 (S.D.N.Y. 2011) (addressing thirteen previous decisions of the Southern District of New York on this matter, as well as those of several circuits courts). As part of the review process of those opinions, I verified that all those previous decisions were reviewed and (if needed) included within the Preemption Decisions.

<sup>347</sup> *MetroPCS Wireless v. Virgin Mobile USA, L.P.*, No. 3:08-CV-1658-D, 2009 WL 3075205, at \*18–19 (N.D. Tex. Sept. 25, 2009).

<sup>348</sup> *ProCD*, 86 F.3d at 1449; *ProCD v. Zeidenberg*, 908 F. Supp. 640, 657–59 (W.D. Wis. 1996).

<sup>349</sup> E.g., *Attachmate Corp. v. Health Net*, No. C09-1161 MJP, 2010 WL 4365833, at \*3–5 (W.D. Wash. Oct. 26, 2010); *Attachmate Corp. v. Health Net*, No. C09-1161 MJP, 2010 WL 519051, at \*1–2 (W.D. Wash. Feb. 4, 2010).

*B. Methodological Limitations*

It is well known that “[a]ll projects involving empirical studies of legal decisions have limitations and the present study is no exception.”<sup>350</sup> Some limitations have to do with our imperfections as humans. It is certainly possible that a decision that did include a discussion of the preemption of contracts was not included in the Preemption Decisions population because I failed to correctly identify that discussion.<sup>351</sup> It is also possible, and probably more likely, that there are decisions about the preemption of contracts that slipped through the cracks of the net I casted. For example, if a decision (1) did not use the word preemption (or some variation thereof) in the same paragraph as the word copyright, (2) did not cite to Section 301, and (3) was not cited by later decisions within the Preemption Decisions, then such a decision was not caught by my searches, and was probably not reviewed.

Finally, there are significant limitations in the database itself. The Westlaw database includes all published federal decisions in the relevant timeframe, but its coverage of state courts decisions, and, even more crucial, its coverage of unpublished opinions of both federal and state courts, is incomplete, especially when it comes to older decisions.<sup>352</sup>

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<sup>350</sup> David L. Schwartz, *Explaining the Demise of the Doctrine of Equivalents*, 26 *Berkeley Tech. L.J.* 1157, 1187 (2011).

<sup>351</sup> To minimize the likelihood of this sort of mistake, my research assistants have also reviewed the relevant 2,700 decisions and tried to identify those that should be included within the Preemption Decisions. I compared my identified decisions to theirs, trying to make sure that no decision was missed. While my research assistants did a remarkable job for which I am grateful, they are obviously humanly imperfect as well.

<sup>352</sup> See, e.g., Gregory C. Sisk et al., *Searching for the Soul of Judicial Decisionmaking: An Empirical Study of Religious Freedom Decisions*, 65 *Ohio St. L.J.* 491, 536–37 (2004) (stating that “[w]hile a growing subset of unpublished opinions, at least for the federal courts of appeals for more recent years, is available on Westlaw and Lexis, the collection is incomplete, especially for earlier years,” and specifically noting that “very few” unpublished decisions from 1986–95 were included on Westlaw or Lexis). See also Jason Rantanen, *Empirical Analyses of Judicial Opinions: Methodology, Metrics, and the Federal Circuit*, 49 *Conn. L. Rev.* 227, 245 (2016).

The Preemption Decisions can themselves point to that gap in coverage: while there was a significant expansion in the number of cases in the Preemption Decisions throughout the years—from 16 in the 1980s, to 42 in the 1990s, to 124 in the first decade of the new millennium, the expansion with respect to unpublished decisions is much more significant—from only 3 in the 1980s and 16 in the 1990s to 64 between 2000 and 2009. It is very likely that some of this dramatic expansion should be attributed to a better coverage of new unpublished opinions by Westlaw.

This incompleteness undoubtedly affects the Preemption Decisions and makes their coverage partial. For example, there are numerous decisions of appellate courts within the Preemption Decisions population for which the lower court's opinion does not appear on Westlaw.<sup>353</sup>

Therefore, the unavoidable conclusion is that there are more than 279 decisions in the relevant period in which courts discussed the preemption of a breach of contract claim by federal copyright law.

### *C. Implications*

While it is important to note the methodological limitations of this work, I nevertheless do not believe that those limitations, and especially the existence of relevant decisions that are not included in the Preemption Decisions, “would bias the sample in a manner that would taint the outcome of this particular study.”<sup>354</sup>

I don't believe the conclusions I draw in this Article from the Preemption Decisions require them to be complete. Those conclusions, and first and foremost, my claims concerning the lack of truly oppressive and harmful fact patterns in those decisions—an argument that is the focus of Part III of this Article—hold true as long as the missing decisions do not include unusual and dreadful fact patterns or important in-depth discussion on the topics this Article addresses and in particular on the preemption of breach of contract claims.

I find it unlikely that such important decisions will exist but not be included within the Preemption Decisions population. One would expect that such significant decisions will be either published, or, even if somehow unpublished, important enough to be included in the Westlaw database, that those decisions will at least mention Section 301, or that they will later be prominently cited by other opinions on the topic. If that was the case, those decisions would have been picked up by my searches, reviewed, and included in the Preemption Decisions population.

Sisk and his coauthors explained their decision to review only published opinions in their work by noting that:

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<sup>353</sup> E.g., *Ritchie v. Williams*, 395 F.3d 283 (6th Cir. 2005); *Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488 (5th Cir. 1990).

<sup>354</sup> Sisk et al., *supra* note 352, at 535 (explaining their decision to include only published opinions in their work).

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[B]y examining only published decisions, we have biased the database in favor of decisions that raise highly visible, controversial, landmark, or difficult questions . . . or at least issues . . . that a judicial actor found particularly interesting. Fortunately, those are precisely the types of decisions that we would wish to analyze . . . .<sup>355</sup>

I think a similar reasoning applies to my work as well. This Article also focuses on decisions that address “controversial, landmark, or difficult questions” and it is highly probable that those decisions are included within the Preemption Decisions.

Finally, it should be noted that my decision to focus on court decisions leads, by itself, to certain incompleteness and possible limitations. I explain those limitations and why I don’t believe they should affect the conclusions I draw from the Preemption Decisions in Part III.C of this Article.

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<sup>355</sup> Id.

**The Preemption Decisions**

<b>Decision Number</b>	<b>Case Name</b>
1	Fox v. Wiener Laces, 74 A.D.2d 549, 550, 425 N.Y.S.2d 114, 115 (1980).
2	Crow v. State, 392 So. 2d 919, 920 (Fla. Dist. Ct. App. 1980).
3	IPEC, Inc. v. Magenta Films, Ltd., No. 81 CIV 3341 MJL, 1982 WL 889686, at *5–6 (S.D.N.Y. Apr. 27, 1982).
4	Smith v. Weinstein, 578 F. Supp. 1297, 1307 (S.D.N.Y. 1984), aff'd, 738 F.2d 419 (2d Cir. 1984).
5	Schrut v. News Am. Publ'g, 123 Misc. 2d 845, 847, 474 N.Y.S.2d 903, 905 (Civ. Ct. 1984).
6	Whitfield v. Lear, 582 F. Supp. 1186, 1189 (E.D.N.Y. 1984), rev'd on other grounds, 751 F.2d 90 (2d Cir. 1984).
7	Meyers v. Waverly Fabrics, 65 N.Y.2d 75, 78, 479 N.E.2d 236, 237 (1985).
8	Ronald Litoff, Ltd. v. Am. Express Co., 621 F. Supp. 981, 986 (S.D.N.Y. 1985).
9	Rachel v. Banana Republic, No. C-85-3786-MPH, 1985 WL 26030, at *6 (N.D. Cal. Nov. 26, 1985), aff'd in part, rev'd in part on other grounds, 831 F.2d 1503 (9th Cir. 1987).
10	Tannock v. Review Trading Corp., No. Civ.A. No. 85-2864(JFG), 1986 WL 15150, at *4–6 (D.N.J. May 2, 1986).
11	Brignoli v. Balch Hardy & Scheinman, Inc., 645 F. Supp. 1201, 1204–06 (S.D.N.Y. 1986).
12	Acorn Structures v. Swantz, 657 F. Supp. 70, 72–75 (W.D. Va. 1987), rev'd, 842 F.2d 1292 (4th Cir. 1988).
13	Acorn Structures v. Swantz, 846 F.2d 923, 925–26 (4th Cir. 1988).
14	Howard v. Sterchi, 725 F. Supp. 1572, 1578–79 (N.D. Ga. 1989), aff'd, 12 F.3d 218 (11th Cir. 1993).
15	SBK Catalogue P'ship v. Orion Pictures Corp., 723 F. Supp. 1053, 1065–67 (D.N.J. 1989).
16	Davis & Davis v. S & T World Prods., 154 A.D.2d 330, 331, 545 N.Y.S.2d 806, 808 (1989).
17	Taquino v. Teledyne Monarch Rubber, 893 F.2d 1488, 1501 (5th Cir. 1990).
18	Garrido v. Burger King Corp., 558 So. 2d 79, 83 (Fla. Dist. Ct. App. 1990).
19	Nobel v. Bangor Hydro-Elec. Co., 584 A.2d 57, 58–59 (Me. 1990).
20	Wolff v. Inst. of Elec. & Elecs. Eng'rs, 768 F. Supp. 66, 69 (S.D.N.Y. 1991).

21	Nat'l Car Rental Sys., v. Comput. Assocs. Int'l, Civ. No. 3-91-321, 1992 WL 5959, at *3-4 (D. Minn. Jan. 17, 1992), rev'd, 991 F.2d 426 (8th Cir. 1993).
22	Relational Design & Tech. v. Data Team Corp., Civ. A. No. 91-2452-O, 1992 WL 97799, at *1-2 (D. Kan. Apr. 16, 1992).
23	Pytka v. Van Alen, Civ. A. No. 92-1610, 1992 WL 129632, at *3-4 (E.D. Pa. June 8, 1992).
24	Nat'l Car Rental Sys. v. Comput. Assocs. Int'l, 991 F.2d 426, 431-35 (8th Cir. 1993).
25	Alt. Sys. v. Connors, Civ. No. 93-20244 SW, 1993 WL 299223, at *2-4 (N.D. Cal. July 27, 1993).
26	Takeall v. Pepsico, 1993 WL 509876, at *7 (4th Cir. Dec. 8, 1993).
27	Benjamin Capital Inv'rs v. Cossey, 867 P.2d 1388, 1391 (Or. App. 1994).
28	Automated Drawing Sys. v. Integrated Network Servs., 214 Ga. App. 122, 124, 447 S.E.2d 109, 111 (1994).
29	Trenton v. Infinity Broad. Corp., 865 F. Supp. 1416, 1429-30 (C.D. Cal. 1994).
30	Wharton v. Columbia Pictures Indus., 907 F. Supp. 144, 145-46 (D. Md. 1995).
31	ProCD v. Zeidenberg, 908 F. Supp. 640, 657-59 (W.D. Wis. 1996), rev'd, 86 F.3d 1447 (7th Cir. 1996).
32	Am. Movie Classics Co. v. Turner Entm't Co., 922 F. Supp. 926, 930-32 (S.D.N.Y. 1996).
33	ProCD v. Zeidenberg, 86 F.3d 1447, 1453-55 (7th Cir. 1996).
34	Architectronics v. Control Sys., 935 F. Supp. 425, 438-41 (S.D.N.Y. 1996).
35	Lattie v. Murdach, No. C-96-2524 MHP, 1997 WL 33803, at *3-4 (N.D. Cal. Jan. 9, 1997).
36	Markogianis v. Burger King Corp., No. 95 CIV.4627(JFK), 1997 WL 167113, at *1-3, *5-6 (S.D.N.Y. Apr. 8, 1997).
37	Star Patrol Enters. v. Saban Entm't, No. 95-56534, 1997 WL 683327, at *3 (9th Cir. Oct. 23, 1997).
38	Worth v. Universal Pictures, 5 F. Supp. 2d 816, 821-22 (C.D. Cal. 1997).
39	Jordan v. Aarismaa, 665 N.Y.S.2d 973, 974 (App. Div. 1997).
40	Expeditors Int'l of Wash. v. Direct Line Cargo Mgt. Servs., 995 F. Supp. 468, 483-84 (D.N.J. 1998).
41	Tavormina v. Evening Star Prods., 10 F. Supp. 2d 729, 733-35 (S.D. Tex. 1998).
42	Microsource v. Superior Signs, No. CIV.A.3:97-CV-2733-G, 1998 WL 119537, at *2 (N.D. Tex. Mar. 9, 1998).

43	Jane Lyons Advert. v. Cook, No. Civ.A. 97-01069 (RCL), 1998 WL 164775, at *8–9 (D.D.C. Mar. 31, 1998).
44	Frontline Test Equip. v. Greenleaf Software, 10 F. Supp. 2d 583, 591–93 (W.D. Va. 1998).
45	Law Bulletin Publ'g v. LRP Publ'ns, No. 98-8122-CIV, 1998 WL 1969648, at *3–6 (S.D. Fla. June 18, 1998).
46	Telecomm Tech. Servs. v. Siemens Rolm Commc'ns, 66 F. Supp. 2d 1306, 1326 (N.D. Ga. 1998).
47	Endemol Entm't B.V. v. Twentieth Television, No. CV 98-0608 ABC (BQRx), 1998 WL 785300, at *6 (C.D. Cal. Sept. 29, 1998).
48	Boyle v. Stephens, Inc., No. 97 CIV.1351 (SAS), 1998 WL 690816, at *4–7 (S.D.N.Y. Sept. 29, 1998). <i>aff'd</i> , 21 F. App'x 76 (2d Cir. 2001).
49	Canter v. W. Publ'g Co., 31 F. Supp. 2d 1193, 1200–01 (N.D. Cal. 1999).
50	All Pro Sports Camp v. Walt Disney Co., 727 So. 2d 363, 366–67 (Fla. Dist. Ct. App. 1999).
51	Arpaia v. Anheuser-Busch Cos., 55 F. Supp. 2d 151, 162 (W.D.N.Y. 1999).
52	Katz Doehrmann & Epstein, Inc. v. Home Box Office, No. 97 CIV.7763 (TPG), 1999 WL 179603, at *4 (S.D.N.Y. Mar. 31, 1999).
53	Wrench LLC v. Taco Bell Corp., 51 F. Supp. 2d 840, 848–53 (W.D. Mich. 1999), <i>rev'd and remanded</i> , 256 F.3d 446 (6th Cir. 2001).
54	Durgom v. Janowiak, 87 Cal. Rptr. 2d 619, 625 (Ct. App. 1999).
55	Lennon v. Seaman, 63 F. Supp. 2d 428, 436–38 (S.D.N.Y. 1999).
56	Berkla v. Corel Corp., 66 F. Supp. 2d 1129, 1149–50 (E.D. Cal. 1999).
57	Selby v. New Line Cinema Corp., 96 F. Supp. 2d 1053, 1057–62 (C.D. Cal. 2000).
58	Crooks v. Certified Comput. Consultants, 92 F. Supp. 2d 582, 586–87 (W.D. La. 2000).
59	Ticketmaster Corp. v. Tickets.com, No. CV 99-7654 HLH(BQRX), 2000 WL 525390, at *4 (C.D. Cal. Mar. 27, 2000).
60	Cavalier v. Jim Henson Co., No. 99-10175 CM(MANX), 2000 WL 33968969, at *3 (C.D. Cal. Apr. 3, 2000).
61	Matthew Bender & Co. v. Jurisline.com LLC, 91 F. Supp. 2d 677, 678 (S.D.N.Y. 2000).
62	Metrano v. Fox Broad. Co., No. CV-00-02279 CAS JWJX, 2000 WL 979664, at *5–6 (C.D. Cal. Apr. 24, 2000).

63	BVS Performance Sys. v. Mercantile Bancorporation, No. C98-111 MJM, 2000 WL 34031502, at *2–4 (N.D. Iowa Apr. 24, 2000).
64	Brown v. Mojo Records, No. CV 00-286-ST, 2000 WL 33244473, at *3 (D. Or. June 6, 2000).
65	Fischer v. Viacom Int'l, 115 F. Supp. 2d 535, 540–44 (D. Md. 2000).
66	Design Art v. Nat'l Football League Props., No. 00CV593 JM (JAH), 2000 WL 33151646, at *6 (S.D. Cal. Aug. 18, 2000).
67	Natkin v. Winfrey, 111 F. Supp. 2d 1003, 1005–06, 1013–14 (N.D. Ill. 2000).
68	Pollster v. Gigmania Ltd., No. CIV-F-00-5671 REC SMS, 2000 WL 34016436, at *18 (E.D. Cal. Sept. 1, 2000).
69	Lukens v. Broder/Kurland Agency, No. CV 00-08359 NM JWJX, 2000 WL 35892340, at *2–3 (C.D. Cal. Sept. 14, 2000).
70	Info. Handling Servs. v. LRP Publ'ns, No. CIV. A. 00-1859, 2000 WL 1468535, at *1 (E.D. Pa. Sept. 20, 2000).
71	Asunto v. Shoup, 132 F. Supp. 2d 445, 452 (E.D. La. 2000).
72	Bush v. Laggo Props., L.L.C., 784 So. 2d 1063, 1066 (Ala. Civ. App. 2000).
73	Tewarson v. Simon, 141 Ohio App. 3d 103, 113, 750 N.E.2d 176, 184 (2001).
74	Entous v. Viacom Int'l, 151 F. Supp. 2d 1150, 1159–60 (C.D. Cal. 2001).
75	Tech. Based Sols. v. Elecs. Coll., 168 F. Supp. 2d 375, 380 (E.D. Pa. 2001).
76	Operating Sys. Support v. Wang Labs., No. CIV.A. 98-2138(DRD), 2001 WL 1602106, at *8–10 (D.N.J. Apr. 23, 2001), rev'd on other grounds, 52 F. App'x 160 (3d Cir. 2002).
77	Grecco v. Corbis Sygma, 284 A.D.2d 234, 235, 726 N.Y.S.2d 653, 654 (2001).
78	Wrench LLC v. Taco Bell Corp., 256 F.3d 446, 453–59 (6th Cir. 2001).
79	Green v. Hendrickson Publishers, 751 N.E.2d 815, 822–25 (Ind. Ct. App. 2001), rev'd, 770 N.E.2d 784 (Ind. 2002).
80	Firoozye v. Earthlink Network, 153 F. Supp. 2d 1115, 1126–28 (N.D. Cal. 2001).
81	Idema v. Dreamworks, 162 F. Supp. 2d 1129, 1192 (C.D. Cal. 2001), aff'd in part, dismissed in part on other grounds, 90 F. App'x 496 (9th Cir. 2003).
82	Lipscher v. LRP Publ'ns, 266 F.3d 1305, 1318–19 (11th Cir. 2001).
83	Cooper v. Sony Records Int'l, No. 00 CIV. 233 (RMB), 2001 WL 1223492, at *5 (S.D.N.Y. Oct. 15, 2001).
84	Butler v. Cont'l Airlines, No. CIV.A. 01-2194, 2001 WL 1509545, at *3 (S.D.

	Tex. Nov. 19, 2001).
85	Chesler/Perlmutter Prods. v. Fireworks Entm't, 177 F. Supp. 2d 1050, 1058–59 (C.D. Cal. 2001).
86	Lowry's Reports v. Legg Mason, Inc., 186 F. Supp. 2d 592, 594–95 (D. Md. 2002).
87	Green v. Hendrickson Publishers, 770 N.E.2d 784, 788–90 (Ind. 2002).
88	Groubert v. Spyglass Entm't Grp., LP, No. CV 02-01803-SVW JTLX, 2002 WL 2031271, at *2–4 (C.D. Cal. July 23, 2002).
89	Video Pipeline v. Buena Vista Home Entm't, 210 F. Supp. 2d 552, 566–67 (D.N.J. 2002).
90	MCS Servs. v. Johnsen, No. CIV.A. 01-4430, 2002 WL 32348500, at *5–6 (E.D. Pa. Aug. 13, 2002).
91	Higher Gear Grp. v. Rockenbach Chevrolet Sales, 223 F. Supp. 2d 953, 958 (N.D. Ill. 2002).
92	Torah Soft Ltd. v. Drosnin, 224 F. Supp. 2d 704, 716–17 (S.D.N.Y. 2002).
93	Kabehie v. Zoland, 102 Cal. App. 4th 513, 521, 125 Cal. Rptr. 2d 721, 728–35 (2002).
94	Cty. of Delaware v. Gov't Sys., 230 F. Supp. 2d 592, 599 (E.D. Pa. 2002).
95	Grauer v. Deutsch, No. 01 CIV. 8672(LAK), 2002 WL 31288937, at *2 (S.D.N.Y. Oct. 11, 2002).
96	Hustlers Inc. v. Thomasson, 253 F. Supp. 2d 1285, 1293 (N.D. Ga. 2002).
97	Tannenbaum v. Corbis Sygma, No. 02 CIV. 5066 (LTS), 2002 WL 31778813, at *3–4 (S.D.N.Y. Dec. 12, 2002).
98	Johnson v. Tuff-N-Rumble Mgmt., No. CIV.A. 02-1734, 2002 WL 31819167, at *4 (E.D. La. Dec. 13, 2002).
99	Bowers v. Baystate Techs., 320 F.3d 1317, 1323–25 (Fed. Cir. 2003).
100	Hofheinz v. AMC Prods., No. CV-00-5827 (CPS), 2003 WL 25293919, at *7 (E.D.N.Y. Apr. 23, 2003).
101	Lowry's Reports v. Legg Mason, Inc., 271 F. Supp. 2d 737, 755–57 (D. Md. 2003).
102	Comput. Assocs. Int'l v. Quest Software, No. 02 C 4721, 2003 WL 21799259, at *2 (N.D. Ill. July 24, 2003).
103	Dorsey v. Money Mack Music, 304 F. Supp. 2d 858, 863–65 (E.D. La. 2003).
104	Keane v. Fox Television Stations, 297 F. Supp. 2d 921, 944–45 (S.D. Tex. 2004), <i>aff'd</i> on other grounds, 129 F. App'x 874 (5th Cir. 2005).
105	HotSamba, Inc. v. Caterpillar Inc., No. 01 C 5540, 2004 WL 609797, at *4–5

	(N.D. Ill. Mar. 25, 2004).
106	<i>Evolution, Inc. v. SunTrust Bank</i> , 342 F. Supp. 2d 943, 959–60 (D. Kan. 2004).
107	<i>McCoy v. Scantlin</i> , No. CV 04-371-GHK(RZx), 2004 WL 5502111, at *1–2 (C.D. Cal. June 1, 2004).
108	<i>Grosso v. Miramax Film Corp.</i> , 383 F.3d 965, 968 (9th Cir. 2004), amended on denial of reh’g, 400 F.3d 658 (9th Cir. 2005).
109	<i>Smith v. New Line Cinema</i> , No. 03 Civ. 5274 (DC), 2004 WL 2049232, at *4–5 (S.D.N.Y. Sept. 13, 2004).
110	<i>Davidson &amp; Assocs. v. Internet Gateway</i> , 334 F. Supp. 2d 1164, 1174–75 (E.D. Mo. 2004), aff’d sub nom. <i>Davidson &amp; Assocs. v. Jung</i> , 422 F.3d 630 (8th Cir. 2005).
111	<i>Sharp v. Patterson</i> , No. 03 CIV. 8772 (GEL), 2004 WL 2480426, at *6–9 (S.D.N.Y. Nov. 3, 2004).
112	<i>Huckshold v. HSSL, L.L.C.</i> , 344 F. Supp. 2d 1203, 1207–08 (E.D. Mo. 2004).
113	<i>Ross, Brovins &amp; Oehmke, P.C. v. Lexis/Nexis</i> , 348 F. Supp. 2d 845, 862 (E.D. Mich. 2004), aff’d on other grounds sub nom. <i>Ross, Brovins &amp; Oehmke, P.C. v. Lexis Nexis Grp.</i> , 463 F.3d 478 (6th Cir. 2006).
114	<i>Pick v. Pikoff</i> , No. CIV.A. 3:04-CV-0170B, 2004 WL 2997480, at *2 (N.D. Tex. Dec. 27, 2004).
115	<i>Madison River Mgmt. Co. v. Bus. Mgmt. Software Corp.</i> , 351 F. Supp. 2d 436, 443–44 (M.D.N.C. 2005).
116	<i>Stewart v. World Wrestling Fed’n Entm’t</i> , No. 03 CV 2468 RLC, 2005 WL 66890, at *3, *6 (S.D.N.Y. Jan. 11, 2005).
117	<i>Ritchie v. Williams</i> , 395 F.3d 283, 285–88 (6th Cir. 2005).
118	<i>Black v. Kos</i> , No. CIV 05-163 KBM/LCS, 2005 WL 4564587, at *2–3 (D.N.M. Mar. 29, 2005).
119	<i>eScholar, LLC v. Otis Educ. Sys.</i> , 387 F. Supp. 2d 329, 331–33 (S.D.N.Y. 2005).
120	<i>Lee v. Mt. Ivy Press, L.P.</i> , 63 Mass. App. Ct. 538, 550–52, 827 N.E.2d 727, 737–38 (2005).
121	<i>Smith v. Electromedical Prods. Int’l</i> , No. 11-03-00386-CV, 2005 WL 1983550, at *3 (Tex. App. Aug. 18, 2005).
122	<i>Madison River Mgmt. Co. v. Bus. Mgmt. Software Corp.</i> , 387 F. Supp. 2d 521, 541 (M.D.N.C. 2005).
123	<i>Davidson &amp; Assocs. v. Jung</i> , 422 F.3d 630, 638 (8th Cir. 2005).

124	Fedex Ground Package Sys., v. Applications Int'l Corp., No. CIV.A. 03-1512, 2005 WL 2921633, at *3 (W.D. Pa. Nov. 4, 2005).
125	Recursion Software v. Interactive Intelligence, 425 F. Supp. 2d 756, 764–68 (N.D. Tex. 2006).
126	McConley v. Boise Bldg. Sols. Mfg., L.L.C., No. CIV.A. 05-1006-A, 2006 WL 709599, at *4 (W.D. La. Mar. 21, 2006).
127	Meridian Project Sys. v. Hardin Constr. Co., LLC, 426 F. Supp. 2d 1101, 1107–09 (E.D. Cal. 2006).
128	Dimension D, LLC v. True, No. 2:06CV113-SRW, 2006 WL 1061952, at *4 (M.D. Ala. Apr. 21, 2006).
129	Covelli v. Hickok, 12 Misc. 3d 76, 77, 819 N.Y.S.2d 381, 382 (App. Term 2006).
130	Foley v. Surbella, No. CIV.A. 2:05-CV-208, 2006 WL 2129818, at *2 (S.D. Ohio June 17, 2006).
131	Automated Sols. Corp. v. Paragon Data Sys., No. 1:05CV1519, 2006 WL 5803366, at *7 (N.D. Ohio June 30, 2006).
132	Automated Sols. Corp. v. Paragon Data Sys., 856 N.E.2d 1008, 1013–15 (2006).
133	Berry v. Borders Grp., No. CIV-06-297-C, 2006 WL 1997132, at *2 (W.D. Okla. July 13, 2006).
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