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PREEMPTION OF STATE LAW BY COPYRIGHT LAW

By DEBORAH KEMP*

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I. INTRODUCTION

Preemption of state law is becoming an increasingly debated issue as federal regulation expands into more areas of our lives.¹ Some federal legislation explicitly provides for federal preemption of state statutory and/or common law. The Copyright Act of 1976 is one such piece of legislation. Section 301 of the Copyright Act provides for preemption of all equivalent state law. Traditionally, copyright law has had a tremendous impact on competition in intellectual property; in the latter half of this century, society has become concerned with protecting technological innovations. Section 301's preemption of state law consequently impacts on the states' rights to protect the use of technological innovations by competitors/interlopers.

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1. See, e.g., *Cipollone v. Liggett Group, Inc.*, 789 F.2d 181 (3d Cir. 1986), *mandamus denied*, 822 F.2d 335 (3d Cir. 1987), *cert. denied*, 107 S. Ct. 907 (1987) (Cigarette Labelling Act); *Silkwood v. Kerr-McGee Corp.*, 667 F.2d 908 (10th Cir. 1981), *rev'd*, 464 U.S. 238 (1984) (Atomic Energy Act); *Palmer v. Liggett Group, Inc.*, 825 F.2d 620 (1st Cir. 1987) (Cigarette Labelling Act); *Cuomo v. Long Island Lighting Co.*, 589 F. Supp. 1387 (E.D.N.Y. 1984) (Nuclear Regulatory Act); *Chappell v. SCA Serv., Inc.*, 540 F. Supp. 1087 (C.D. Ill. 1982) (Toxic Substances Control Act).

Intellectual property rights have long been protected concurrently by federal and state law. Article I, section 8 of the United States Constitution grants to Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."² Pursuant to that clause, Congress has enacted copyright and patent statutes, the most recent being the Copyright Act of 1976.³

However, even before the Supreme Court's 1834 decision in *Wheaton v. Peters*,⁴ the states' power to protect intellectual property when the federal law does not speak has been recognized.⁵ Until the Copyright Act of 1976, the United States essentially had a dual copyright system.⁶ The federal law protected published works while the state common law protected unpublished works. Since 1978, the effective date of the Copyright Act, the dual system of copyright has been abolished and all works of authorship, whether published or unpublished, are regulated by the Copyright Act.

States continue to protect intellectual property less directly under a variety of statutory and common law causes of action including: trade secret law, unfair competition law, contract law, and tort law (e.g., misappropriation, conversion, invasion of privacy and right of publicity). In addition, states statutorily regulate areas that touch upon copyright, such as the motion picture licensing regulations.⁷ These causes of action have nothing intrinsically to do with intellectual property or works of authorship, nor with copying and distributing such works. Hence, there is no reason to suspect that all of these causes of action are pre-

2. U.S. CONST. art. I, § 8, cl. 8.

3. 17 U.S.C. §§ 101-914 (1982).

4. 33 U.S. (8 Pet.) 591 (1834).

5. Francione, *The California Art Preservation Act and Federal Preemption*, 31 COPY-
RIGHT L. SYMP. (ASCAP) 105, 118-19 (1984) [hereinafter Francione].

6. See H.R. REP. NO. 1476, 94th Cong., 2d Sess. 131, *reprinted in* 1976 U.S. CODE
CONG. & ADMIN. NEWS 5659 [hereinafter HOUSE REPORT].

Instead of a dual system of "common law copyright" for unpublished works and statutory copyright for published works, which has been the system in effect in the United States since the first copyright statute in 1790, the bill adopts a single system of Federal statutory copyright from creation.

Id.

7. See, e.g., *Associated Film Distrib. Corp. v. Thornburgh*, 683 F.2d 808 (3d Cir. 1982), *on remand*, 614 F. Supp. 1100 (E.D. Pa. 1985), *aff'd*, 800 F.2d 369 (3d Cir. 1986), *cert. denied*, 408 U.S. 933 (1987); *Allied Artists Pictures Corp. v. Rhodes*, 496 F. Supp. 408 (S.D. Ohio 1980), *aff'd in part, rev'd in part*, 679 F.2d 656 (6th Cir. 1982); *Warner Bros. v. Wilkinson*, 533 F. Supp. 105 (D.C. Utah 1981), *appeal dismissed*, 782 F.2d 136 (10th Cir. 1985). All three cases found that similar state statutes regulating the bidding on newly released motion pictures were not preempted by the Copyright Act. Somehow, regulating the manner of marketing copyrighted works does not interfere impermissibly with the copyright holder's exclusive right to distribute her work.

empted by the Copyright Act. Yet state law actions have been used as avenues of relief for violations of rights very similar to those addressed in the Copyright Act.

This paper examines the application of section 301 to claims arising under state law. The writer concludes that Congress did not make its intentions sufficiently clear for the courts to agree on the scope of the Copyright Act's preemption section.

II. THE PURPOSE AND APPLICATION OF COPYRIGHT

The policy behind copyright and patent is to provide incentive for creativity and invention by giving authors and inventors a limited monopoly in the marketing of their works and inventions. This limited monopoly serves to enhance collective public knowledge by allowing communication of creative expressions and ideas and the use of inventions. The policy contains an inherent conflict in that "monopoly" implies exclusivity while "collective public knowledge" implies unrestricted dissemination. Hence, the law of copyright and patent involves the balancing of competing interests to achieve the maximum benefit to both individual and public. Too little control over dissemination would presumably result in too little reward for the individual, and thus, the individual would have too little incentive and would stop producing. Too much control on dissemination would presumably result in a lack of dissemination to the public.

The initial question is, Why does a plaintiff claim violation of a state law or common law in addition to claiming copyright infringement? The reason is not that damages under the copyright law are inadequate; in fact, a plaintiff proving infringement of copyright need not show actual damages, as statutory damages are provided in the Act. The reason for filing a state claim is usually that the plaintiff does not have the protection of the federal copyright law, as her claim "falls between the cracks." A brief examination of copyright law will clarify the situation.

Copyright protects the author's right to copy and distribute her original creations of authorship that are "fixed in a tangible medium of expression."⁸ The Copyright Act refers to authors' creations as "works,"⁹ and thus, when discussing copyright issues, it is often said that copyright protects the author's right to copy and distribute copies of her copyrighted work. However, the Copyright Act does not offer the copyright holder complete control over her creations. First, the idea/expression dichotomy, as created in *Baker v. Selden*¹⁰ and devel-

8. 17 U.S.C. § 102 (1982).

9. *Id.*

10. 101 U.S. 99 (1880).

oped in numerous cases since that time,¹¹ provides that copyright only protects the author's expression, but not her ideas, which are free as the air. In *Nichols v. Universal Pictures Corp.*,¹² Judge Learned Hand established a test which became the Second Circuit's approach to copyright infringement law; his test is known as the "abstractions test." Under this test, ideas, themes, and facts may be copied from another's work, without resulting in infringement of copyright. Hence, in addition to proving that the work is copyrighted, the plaintiff must also prove infringement of the copyright, which involves proving her expression was copied.

If the author cannot prove copying by direct evidence, she must prove defendant had access to her work, and that the defendant's work is substantially similar to her work. This is referred to as "the substantial similarity test."¹³ There are two problems with the substantial similarity test. The first is that the test varies among circuit courts. The second is that the test varies according to the type of work which, allegedly, is being copied. The defendant's work may be quite similar to the original author's work, yet not be infringing. This problem particularly arises in fact works, such as directories, maps, data bases, historical narratives, and indexes—in short, works which theoretically require very little creative effort. The cases indicate, however, that screenplays, novels, treatises, and such, may also be quite similar and yet not infringe on one another.¹⁴

11. [string cite needed]

12. 45 F.2d 119 (2d Cir. 1930), *cert. denied*, 282 U.S. 902 (1931).

13. [cite needed]

14. *E.g.*, Walker v. Time Life Films, Inc., 615 F. Supp. 430 (S.D.N.Y. 1985), *aff'd*, 784 F.2d 44 (2d Cir. 1986), *cert. denied*, 476 U.S. 1159 (1986) (movie "Fort Apache: The Bronx" did not infringe book "Fort Apache" due to no copying of expression); Suid v. Newsweek Magazine, 503 F. Supp. 146 (D.D.C. 1980) (magazine article about John Wayne did not infringe John Wayne biography, even though biography was used, because facts are not protected by copyright); Hoehling v. Universal City Studios, Inc., 618 F.2d 972 (2d Cir. 1980), *cert. denied*, 449 U.S. 841 (1980) (film of Hindenberg explosion did not infringe historical book on Hindenberg explosion, even though historian's theory used, because facts and ideas not protected by copyright); D.C. Comics, Inc. v. Fimation Assoc., 486 F. Supp. 1273 (S.D.N.Y. 1980); Durham Indus., Inc. v. Tomy Corp., 630 F.2d 905 (2d Cir. 1980) (toys that express same idea will necessarily be similar, but mechanical aspects of toys are not copyrightable); Smith v. Weinstein, 578 F. Supp. 1297 (S.D.N.Y. 1984), *aff'd mem.*, 738 F.2d 419 (2d Cir. 1984) (plaintiff's screenplay not infringed by movie "Stir Crazy" due to no substantial similarity); Hartman v. Hallmark Cards, Inc., 833 F.2d 117 (8th Cir. 1987) (plaintiff's script entitled "The Adventures of Rainbow Island" not infringed by "Rainbow Brite" products, due to no substantial similarity of expression); Sid & Marty Krofft Television Prods. v. McDonald's Corp., 562 F.2d 1157 (9th Cir. 1977) (substantial similarity requires not only similarity of ideas, but also of the expression of the ideas); Litchfield v. Spielberg, 736 F.2d 1352 (9th Cir. 1984), *cert. denied*, 470 U.S. 1052 (1985) (musical play "Lokey from Maldemar" about endearing extraterrestrial not infringed by movie "E.T. - The Extra Terrestrial" about same).

For example, a movie about an endearing extraterrestrial who befriends two children and delivers a love message to the world does not automatically infringe a play about an endearing extraterrestrial who befriends two children and delivers a love message to the world.¹⁵ The fact that one is a movie and the other a play does not save the movie from infringing. The fact that there was a change in media simply means a derivative work may have been created, and derivative works can violate an original author's copyright.¹⁶ The reason the movie will not infringe the author's copyright is if it only copies the playwright's ideas and not her expression.

In brief, the inevitable application of the idea/expression dichotomy to copyright infringement claims causes copyright law to leave some gaps in the protection of intellectual property. The next question is, Should these gaps be filled in by state law or should a competitor be permitted to borrow freely from another's work, so long as the competitor does not copy the expression?

III. THE SUPREMACY CLAUSE

The supremacy clause¹⁷ in the United States Constitution has long insured that federal preemption of state regulation be considered by the courts. In *Hines v. Davidowitz*,¹⁸ the Supreme Court said preemption will occur, first, when Congress, in enacting a federal statute, has expressed a clear intent to preempt state law; second, when it is clear, despite the absence of explicit preemptive language, that Congress has intended, by legislating comprehensively, to occupy an entire field of regulation; and, finally, when compliance with both state and federal law is impossible, or when the state law "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress."¹⁹ Section 301 falls within the first category: the expression of a clear intent to preempt state law. Section 301 provides in relevant part:

(a) . . . [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 . . . come within the subject matter of copyright as specified by sections 102 and 103. . . are governed exclusively by this title. . . . [N]o person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

15. *Litchfield*, 736 F.2d at 1352.

16. 17 U.S.C. § 103 (1982).

17. U.S. CONST. art. VI, § 2.

18. 312 U.S. 52 (1941).

19. *Id.* at 67. The Supreme Court recently affirmed *Hines*, in *Capital Cities Cable, Inc. v. Crisp*, 467 U.S. 691, 699 (1984).

(b) Nothing in this title annuls or limits any rights. . . under the common law or statutes of any State with respect to

- (1) subject matter that does not come within the subject matter of copyright . . . or
- (3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106.²⁰

However explicitly Congress provided for preemption in section 301, the breadth of the section's application is in no way clear. It is apparent that the second and third prongs of the *Hines* test need not even be considered in a section 301 analysis, since section 301 seems, on its face, to preempt state law. However, it should be noted that the third prong, actual conflict with the purposes of the federal copyright law, is usually the dominant consideration in deciding preemption under section 301.²¹ Still, cases considering preemption by federal law where the preemption clause is either nonexistent or at least not so encompassing, cite section 301 as an example of an instance where Congress has clearly preempted all state law.²² Why then do the federal courts refuse to preempt all state law protection of intellectual property? The answer is found by examining the language of section 301, the legislative history of section 301, and the law on preemption prior to enactment of section 301.

IV. HISTORY OF COPYRIGHT PREEMPTION

Section 301 did not spring forth from the collective mind of Congress fully formed, but was the latest development in an already confusing area of law. Two Supreme Court decisions established a very broad preemption of state law by federal patent and copyright law. In *Sears, Roebuck & Co. v. Stiffel Co.*,²³ and its companion case, *Compco Corp. v.*

20. 17 U.S.C. § 301 (1982).

21. Francione, *supra* note 5, at 139-40. *But see* Jorgensen & McIntyre-Cecil, *The Evolution of the Preemption Doctrine and Its Effect on Common Law Remedies*, 19 IDAHO L. REV. 85, 100 (1983) ("congressional preemption is much broader than any attempt at preemption on constitutional grounds enunciated by the Supreme Court") [hereinafter Jorgensen]; Note, *Copyright Preemption: Effecting the Analysis Prescribed by Section 301*, 24 B.C.L. REV. 963, 964 (1983) ("Prior to the 1976 Act, copyright preemption was based on judicial interpretations of the range and effect of the copyright and supremacy clauses of the United States Constitution.") [hereinafter *Copyright Preemption*].

22. *Cipollone v. Liggett Group, Inc.*, 789 F.2d 181 (3d Cir. 1986), *mandamus denied*, 822 F.2d 335 (3d Cir. 1987), *cert. denied*, 107 U.S. 907 (1987) (Cigarette Labelling Act); *Silkwood v. Kerr-McGee Corp.*, 667 F.2d 908 (10th Cir. 1981), *rev'd*, 464 U.S. 238 (1984) (Atomic Energy Act); *Palmer v. Liggett Group, Inc.*, 825 F.2d 620 (1st Cir. 1987) (Cigarette Labelling Act); *Cuomo v. Long Island Lighting Co.*, 589 F. Supp. 1387 (E.D.N.Y. 1984) (Nuclear Regulatory Act).

23. 376 U.S. 225 (1964), *reh'g denied*, 376 U.S. 973 (1964).

Day-Brite Lighting, Inc.,²⁴ the Supreme Court held that state law may not prohibit the copying of a product or work that is unprotected by a patent or copyright. Both cases involved inventions that were not sufficiently novel to obtain patent protection. In each case, the plaintiff had claimed that since its patent was invalid, the state unfair competition law prohibiting misappropriation should provide relief for the injury caused by the defendant's marketing of a copied product. The Court found that state actions for palming off or passing off would not be preempted by its holdings in *Sears/Compco*.²⁵ The rationale behind the Court's holdings was that public interest in free access to ideas and free competition had been carefully balanced under the federal patent and copyright schemes against the inventor and author's economic incentive to create. The Court further reasoned that to permit states to remove from the public domain that which the federal law had decided was not sufficiently creative to be protected would clash with the federal purpose behind patent and copyright.²⁶

The *Sears/Compco* decisions caused problems immediately, primarily because the Supreme Court had, thirty-five years earlier, in *International News Service v. Associated Press*,²⁷ (*Int'l News*) recognized a cause of action for misappropriation of news stories by a competitor. There had been no attempt to register the news stories for copyright because of the sheer volume of stories that were constantly being dispatched. In *Int'l News*, the Court, applying federal common law, afforded protection against misappropriation (i.e., copying of the information gathered by the plaintiff), until such time as the plaintiff had gained its economic advantage.²⁸ When *Erie Railroad Co. v. Tompkins*²⁹ abolished the federal common law, the states took it upon themselves to follow in the footsteps of *Int'l News* and grant the broadest protection for unfair competition, where previously the action had been only for palming off/passing off. Did *Sears/Compco* overrule

24. 376 U.S. 234 (1964), *reh'g denied*, 377 U.S. 913 (1964).

25. *Sears*, 376 U.S. at 232.

26. *Id.* See also Jorgensen, *supra* note 21, at 89; Brief of Defendant-Appellee at 45, *Vault Corp. v. Quaid Software Ltd.*, 655 F. Supp. 750 (E.D. La. 1987) (No. 87-3516), *aff'd*, 847 F.2d 255 (5th Cir. 1988).

27. 248 U.S. 215 (1918).

28. Copyright protection is usually granted for the life of the natural author plus fifty years, no matter what the subject matter of the copyright involves. 17 U.S.C. § 302(a) (1982) (*but see* § 302(b),(c) for a few exceptions). Years ago, Professor Robert Gorman advocated creating copyright that was for shorter periods of time for certain types of works, such as news stories. Congress has not seen fit to invoke a flexible copyright time scheme. Gorman, *Copyright Protection for the Collection and Representation of Facts*, 76 HARV. L. REV. 1569, 1605 (1963).

29. 304 U.S. 64 (1938).

Int'l News? Congress thinks it did not.³⁰

The *Sears/Compco* decisions caused much confusion in the states' application of state unfair competition laws, particularly misappropriation, to intellectual property and technological innovations.³¹ The Supreme Court limited the broad language of *Sears/Compco* in *Goldstein v. California*.³² The facts in *Goldstein* invited such a limitation. The 1909 Copyright Act contained a list of works subject to copyright protection. Even though the legislation said that works *include* the listed categories, the courts interpreted the list to be exclusive. Sound recordings, not having been invented in 1909, were not included in the list of copyrightable matter. As a result, courts were not protecting records and tapes from being copied by anyone who so chose to copy. California, where much of the record industry was located, acted to prevent record piracy. It was illegal under the California statute to make a tape of a record. Goldstein violated the statute and was prosecuted, but claimed that the California law was preempted by the federal copyright law. He asserted that under *Sears/Compco*, if the subject matter is not covered by copyright, it may be freely copied by all, without impunity.

The Supreme Court disagreed. The Court noted that Congress had finally acted to make sound recordings copyrightable, so that had the copying occurred later, it would have been copyright infringement and remediable under the copyright law. At any rate, the Court established a mode of analysis to determine whether the state statute would conflict with federal law. If Congress failed to protect subject matter that would otherwise be protected by copyright, the states were free to protect such works. If, on the other hand, the state law attempted to protect that which Congress had indicated should be public domain and free from any restraints, the state law would be preempted.³³

Had that been all, courts could have found that the *Sears/Compco* and *Goldstein* holdings were consistent. *Goldstein* did not purport to overrule *Sears/Compco*. Subject matter that would be copyrightable, but for a quirk of Congress, could be protected by state law, while a work that statutorily qualified for copyright but failed to meet the origi-

30. See HOUSE REPORT, *supra* note 6, at 5659. In describing the intended effect of Section 301, the report embraces *Sears/Compco*, but then protects situations such as the one in *Int'l News* from being preempted.

31. Jorgensen, *supra* note 21, at 90.

32. 412 U.S. 546, *reh'g denied*, 414 U.S. 833 (1973). The Eleventh Circuit decided that *Goldstein* was superseded by the 1976 Copyright Act, § 301. *Crow v. Wainwright*, 720 F.2d 1224 (11th Cir. 1983), *cert. denied*, 469 U.S. 819 (1984).

33. Gorman, *Fact or Fancy? The Implication for Copyright*, 29 J. COPYRIGHT SOC'Y, U.S.A. 560, 601 (1982) [hereinafter *Fact or Fancy?*]; *Copyright Preemption*, *supra* note 21, at 977; Jorgensen, *supra* note 21, at 95; Francione, *supra* note 5, at 120; Maher, *The Shrink-Wrap License: Old Problems In A New Wrapper*, 34 J. COPYRIGHT SOC'Y, U.S.A. 292, 309 (1987).

nality requirement of copyrightability could not be protected by state law. In addition, ideas and other public domain items contained in a copyrightable work may not be protected by state law because they must be free to all, since public policy favors the broadest dissemination and use of ideas, facts, discoveries and systems.

The *Goldstein* limitation of *Sears/Compco* would have been manageable by the courts if the Supreme Court, subsequent to *Goldstein*, had not applied an even narrower preemption standard to state law protecting trade secrets. In *Kewanee Oil Co. v. Bicron Corp.*,³⁴ the Supreme Court held that state trade secret law is not preempted by federal patent law, even when the secret being protected is patentable.³⁵ Trade secrets are defined as ideas, facts, processes, systems, or methods, and are precisely the type of subject matter excluded from copyright protection by the 1976 Copyright Act.³⁶ The logical conclusion is that *Kewanee* must be limited to patent law and has no application to copyright law. However, trade secrecy is considered a viable means of supplementing copyright protection, particularly in copyrightable technology such as computer software.

The question in light of section 301 is, What effect has section 301 had on the above Supreme Court decisions? An excellent application of the three cases, *Sears/Compco*, *Goldstein*, and *Kewanee*, is contained in *Synercom Technology, Inc. v. University Computing Co.*³⁷ Synercom claimed that University Computing (UC) had violated its copyrights and engaged in unfair competition by substantially copying its computer-user manuals and its software program. The Texas District Court, in a separate opinion, had found that UC had violated Synercom's copyright in its user manual, but that UC had not violated Synercom's copyright in its computer program, since all that UC copied were "ideas."³⁸ The district court also considered Synercom's claim of misappropriation under Texas common law—similar to the type recognized in *Int'l News*. Applying *Sears/Compco* the court said that the appropriated input formats were writings within copyright law, embodying ideas which were not protected by copyright. They therefore were "not matters left 'unattended' by Congress."³⁹ Applying *Goldstein*, the court concluded that

34. 416 U.S. 470 (1974).

35. *Id.* at 490. See also *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969) (whether a patent licensee may challenge a patent's validity); Jorgensen, *supra* note 21, at 96; *Copyright Preemption*, *supra* note 21, at 976.

36. 17 U.S.C. § 102(b) (1982) ("In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery").

37. 474 F. Supp. 37 (N.D. Tex. 1979).

38. *Synercom Tech. v. University Computing Co.*, 462 F. Supp. 1003, 1011-14 (N.D. Tex. 1978).

39. *Synercom*, 474 F. Supp. at 43 (emphasis in the original).

Texas law would place a restraint on the use of an idea or concept, in direct conflict with the federal copyright law.⁴⁰ The court distinguished *Kewanee* on two grounds: first, the trade secret in *Kewanee* did not prohibit all use of the technology, as reverse engineering would still be available; and second, *Kewanee* involved a law that addressed ethical conduct more than the use of ideas and concepts.⁴¹

V. THE TWO PRONG TEST OF SECTION 301

Section 301 has been almost universally interpreted to provoke a two-tiered inquiry. First, does the subject matter fall within section 102?⁴² Second, is the right being protected by the state law equivalent to the exclusive rights listed in section 106?⁴³

Granted, it is often simpler for a court to analyze a fact situation when the statutory law being applied is broken down into its constituent parts, but such practice may result in losing sight of the forest for the trees. In a sense, the cases interpreting section 301 fall prey to this danger. Far more emphasis is placed on the second prong, which has resulted in a lack of development of a clearly established doctrine affirming that ideas may not be protected by state law. Additionally, the second prong has become equated with an extra elements test, which leaves unanswered a whole line of inquiry regarding the interplay of section 106 and the limitations on the exclusive rights stated in sections 107 through 118 of the Copyright Act.

A. LEGISLATIVE HISTORY

As is typical of legislative reports accompanying passage of statutes, the legislative history further confuses rather than clarifies application of section 301 to specific fact situations. Nevertheless, a substantial number of courts have reviewed the legislative history of section 301, predominantly to determine what Congress meant when it used the term "equivalent right."⁴⁴

40. *Id.* at 43-44.

41. *Id.* at 44.

42. 17 U.S.C. § 102 (1982).

43. *Id.* § 106.

44. See, e.g., *Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n*, 805 F.2d 663, 675 (7th Cir. 1986), *cert. denied*, 480 U.S. 941 (1987); *Crow v. Wainwright*, 720 F.2d 1224, 1225 (11th Cir. 1983), *cert. denied*, 469 U.S. 819 (1984); *Mayer v. Josiah Wedgwood & Sons, Ltd.*, 601 F. Supp. 1523, 1533 (S.D.N.Y. 1985); *Warrington Assoc., Inc. v. Real-Time Eng'g Sys.*, 522 F. Supp. 367, 368 (N.D. Ill. 1981); *Harper & Row, Publishers v. Nation Enter.*, 501 F. Supp. 848 (S.D.N.Y. 1980), *aff'd in relevant part*, 723 F.2d 195, 200 (2d Cir. 1983), *rev'd on other grounds*, 471 U.S. 539 (1985); *Allied Artists Pictures Corp. v. Rhodes*, 496 F. Supp. 408, 444 (S.D. Ohio 1980), *aff'd*, 679 F.2d 656 (6th Cir. 1982); *Meyers v. Waverly Fabrics*, 65 N.Y.2d 75; 479 N.E.2d 236, 238 (1985).

The first version of section 301 contained a list of state law causes of action which would not be preempted by federal copyright law. When a proposed draft attempted to add misappropriation to the list, the ensuing debate resulted in the list being completely eliminated. However, the House Report accompanying passage of the current version of section 301 does list certain state causes of action that would not be preempted.⁴⁵ Two aspects of the House Report are revealing, although neither answers questions that arise in real fact situations.

First, as regards subject matter, the House Report states that section 301 has a preemptive effect even if the work "fails to achieve Federal statutory copyright because it is too minimal or lacking in originality to qualify."⁴⁶ From this statement and a later reference to *Sears/Compco*, one can postulate that if there is a work of authorship that is fixed in a tangible medium of expression, the copyright law exclusively governs rights of copying and distributing any aspects of the work. Hence, if one takes *ideas* from one work to produce another, that taking is not copyright infringement and may not be prohibited by state law. However, that has not necessarily been the result in the cases.⁴⁷

Second, the House Report also elucidates another aspect of section 301: the definition of nonequivalent rights.

The evolving common law rights of "privacy," "publicity," and trade secrets, and the general laws of defamation and fraud, would remain unaffected as long as the causes of action contain elements, such as an invasion of personal rights or a breach of trust or confidentiality, that are different in kind from copyright infringement. Nothing in the bill derogates from the rights of parties to contract with each other and to sue for breaches of contract.⁴⁸

Professor Nimmer has defined the so-called equivalent rights test as an extra element test.⁴⁹ That definition has been refined in the leading case on preemption by copyright law, *Harper & Row, Publishers, Inc. v. Nation Enterprises*.⁵⁰ The court required the state law claim to "establish qualitatively different conduct on the part of the infringing party."⁵¹ Stating an extra element not required to be proved in a copyright infringement case, such as intent to appropriate the subject matter by the infringing party, would not be sufficient to survive preemption.

The House Report, however, does not make this distinction to the

45. HOUSE REPORT, *supra* note 6, at 5745-47.

46. *Id.*

47. *See infra* note 54 (particularly the cases cited in the second paragraph).

48. HOUSE REPORT, *supra* note 6, at 5748.

49. 1 M. NIMMER & D. NIMMER, NIMMER ON COPYRIGHT § 1.01[B] (1989).

50. 501 F. Supp. 848, 850 (S.D.N.Y. 1980), *aff'd in relevant part*, 723 F.2d 195 (2d Cir. 1983), *rev'd on other grounds*, 471 U.S. 539 (1985).

51. *Harper & Row*, 723 F.2d at 201.

degree that the courts following the Second Circuit and *Harper & Row* do. For instance, misappropriation, as established in *Int'l News*, had previously been recognized by state courts as protectible under common and statutory law. The tort includes the intentional appropriation of another's facts or ideas for one's own commercial gain, to the injury of the plaintiff. Since state law may not protect the aspects of an otherwise copyrightable work that are expressly excluded from copyright, such as ideas and facts, it would appear that *Int'l News* is preempted by section 301. Nevertheless, the House Report states otherwise:

[S]tate law should have the flexibility to afford a remedy. . . against a consistent pattern of unauthorized appropriation by a competitor of the facts (i.e., not the literary expression) constituting "hot" news, whether in the traditional mold of [*Int'l News*] or in the newer form of data updates from scientific, business, or financial data bases.⁵²

In effect, the legislature has embraced two contradictory and irreconcilable doctrines. The *Sears/Compco* doctrine permits states to protect public domain intellectual property only by the unfair competition tort of passing off or palming off. The *Int'l News* doctrine permits the states to protect public domain intellectual property by the unfair competition tort of misappropriation, i.e., copying and distributing public domain facts. Copying and distributing are the very rights protected by copyright law. When the legislature, responsible for the statute, contradicts itself, it is not surprising to learn that courts experience substantial confusion when applying section 301 to a multitude of fact situations.

B. THE FIRST PRONG EXAMINED

The first prong of section 301 provides for preemption of subject matter that is within section 102.⁵³ Section 102 contains Congress' approval of the judicially developed idea/expression dichotomy. A large

52. HOUSE REPORT, *supra* note 6, at 5748.

53. 17 U.S.C. § 301 (1982). Section 102 provides:

(a) Copyright protection subsists . . . in original works of authorship fixed in any tangible medium of expression. . . . Works of authorship include the following categories:

- (1) literary works;
- (2) musical works. . . ;
- (3) dramatic works. . . ;
- (4) pantomimes and choreographic works;
- (5) pictorial, graphic, and sculptural works;
- (6) motion pictures and other audiovisual works; and
- (7) sound recordings.

(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

Id. § 102.

number of cases where the plaintiff has claimed violation of state common or statutory law, in addition to copyright infringement, involve situations where the aspects taken from the plaintiff's copyrighted work are not protected by copyright under the idea/expression dichotomy.

The ensuing question then is, If ideas are subject matter within the scope of section 102, and Congress has pronounced that ideas are not copyrightable, is section 301's language sufficient to preempt state law that would protect those ideas from being free as the air? There appears to be a lack of consensus in the cases that have had to answer this question.⁵⁴ Fortunately, most courts considering preemption do not face this issue squarely, since most works are copyrightable subject matter, even if the ideas contained in the works are not. Professor Gorman thinks the protection of ideas should be preempted by copyright law under his interpretation of *Sears/Compco* and *Goldstein*.⁵⁵ On the other hand, some courts and commentators believe that section 301 has overruled *Goldstein*.⁵⁶

54. Most cases indicate that state law may not protect facts, ideas, systems and processes. This is consistent with the *Sears/Compco* doctrine. See, e.g., *Carson v. Here's Johnny Portable Toilets, Inc.*, 698 F.2d 831 (6th Cir. 1983), *appeal after remand*, 810 F.2d 104 (6th Cir. 1987); *Durham Indus. v. Tomy Corp.*, 630 F.2d 905 (2d Cir. 1980); *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972 (2d Cir. 1980), *cert. denied*, 449 U.S. 841 (1980); *Harvey Cartoons v. Columbia Pictures Indus.*, 645 F. Supp. 1564 (S.D.N.Y. 1986); *Towle Mfg. Co. v. Godinger Silver Art Co.* 612 F. Supp. 986 (S.D.N.Y. 1985); *Smith v. Weinstein*, 578 F. Supp. 1297 (S.D.N.Y. 1984), *aff'd mem.*, 738 F.2d 419 (2d Cir. 1984); *Videotronics, Inc. v. Bend Elec.*, 564 F. Supp. 1471 (D.C. Nevada 1983); *Schuchart & Assoc., Professional Eng'rs v. Solo Serve Corp.*, 540 F. Supp. 928 (W.D. Tex. 1982); *Klitzner Indus. v. H. K. James & Co., Inc.*, 535 F. Supp. 1249 (E.D. Pa. 1982); *Suid v. Newsweek Magazine*, 503 F. Supp. 146 (D.D.C. 1980); *Harper & Row*, 501 F. Supp. 848; *Mitchell v. Penton/Indus. Pub. Co.*, 486 F. Supp. 22 (N.D. Ohio 1979); *Synercom Tech., Inc. v. University Computing Co.*, 474 F. Supp. 37 (N.D. Tex. 1979); *George P. Ballas Buick-GMC, Inc. v. Taylor Buick, Inc.*, 5 Ohio Misc.2d 16; 449 N.E.2d 805 (1981), *aff'd*, 5 Ohio App.3d 71, 449 N.E.2d 503 (1982).

Other cases indicate that there may be circumstances when ideas and the like will be protected by state law in spite of copyright law forbidding protection. Generally these instances are when allegations of contract rights, confidential relationships, or lack of public disclosure are involved. See, e.g., *Acorn Structures, Inc. v. Swantz*, 846 F.2d 923 (4th Cir. 1988); *Landsberg v. Scrabble Crossword Game Players, Inc.*, 736 F.2d 485 (9th Cir. 1984), *cert. denied*, 469 U.S. 1037 (1984), *appeal after remand*, 802 F.2d 1193 (9th Cir. 1986) (ideas may be protected through implied contract); *Southern Miss. Planning & Dev. Dist., Inc. v. Robertson*, 660 F. Supp. 1057 (S.D. Miss. 1986) (protection of undisclosed ideas through trade secret law); *Past Pluto Prod. Corp. v. Dana*, 627 F. Supp. 1435 (S.D.N.Y. 1986); *Mayer v. Josiah Wedgwood & Sons, Ltd.*, 601 F. Supp. 1523 (S.D.N.Y. 1985); *Rand McNally & Co. v. Fleet Mgmt. Sys.*, 591 F. Supp. 726 (N.D. Ill. 1983); *P.I.T.S. Films v. Laconis*, 588 F. Supp. 1383 (E.D. Mich. 1984); *Werlin v. Reader's Digest Ass'n, Inc.*, 528 F. Supp. 451 (S.D.N.Y. 1981); *Warrington Assoc., Inc. v. Real-Time Eng'g Sys.*, 522 F. Supp. 367 (N.D. Ill. 1981) (protection for undisclosed ideas); *J.D. Bromhall v. Rorvik*, 478 F. Supp. 361 (E.D. Pa. 1979).

55. *Fact or Fancy?*, *supra* note 33, at 560.

56. *Crow v. Wainwright*, 720 F.2d 1224 (11th Cir. 1983), *cert. denied*, 469 U.S. 819

C. THE SECOND PRONG EXAMINED

The second prong of equivalent rights is more frequently discussed by the courts. The Second Circuit has applied a broad federal preemption, while the other circuits are less clear.

The second part of section 301 says that copyright law preempts all state statutory and common law that creates rights equivalent to any of the exclusive rights in section 106.⁵⁷ The exclusive rights enumerated in section 106 have been interpreted broadly. For example, a state law claim in the Second Circuit that is qualitatively similar to these exclusive rights is preempted.⁵⁸

However, section 106 has a provision analogous to section 102(b). Recall that section 102(b) provided for certain aspects of an otherwise copyrightable work (e.g., ideas, systems, and processes) that were not copyrightable. Similarly, section 106 qualifies the exclusive rights list by saying the list is subject to sections 107 through 118, described as limitations on the exclusive rights stated in section 106.

If a state law were to impose limitations on section 106's exclusive rights, beyond the limitations stated in sections 107 through 118 or in the reverse situation, in contravention of the Copyright Act's limitations on the owner's exclusive rights, would these limitations also preempt the state law? State law includes the copyright owner's right to qualify or annul the Copyright Act limitations by contractual agreement. For example, section 109,⁵⁹ commonly known as the first sale doctrine and originally judicially created, provides that the rightful owner of a copy of a copyrighted work may dispose of the copy by sale or otherwise, without the consent of the copyright owner. Yet the legislative comment accompanying the section permits the copyright owner to place contractual conditions on future disposition of the copy and enforce the conditions in an action for breach of contract.⁶⁰ In addition,

(1984); *Richard Anderson Photography v. Radford University*, 633 F. Supp. 1154 (W.D. Va. 1986), *aff'd in part and rev'd in part*, 852 F.2d 114 (4th Cir. 1988); Francione, *supra* note 5, at 120. *But see Schuchart*, 540 F. Supp. 928; *Association of Am. Med. Colleges v. Carey*, 482 F. Supp. 1358 (N.D.N.Y. 1980); *F.E.L. Publications v. National Conf. of Catholic Bishops*, 466 F. Supp. 1034 (N.D. Ill. 1978).

57. 17 U.S.C. § 301 (1982). The exclusive rights in section 106 are:

- (1) to reproduce copies;
- (2) to prepare derivative works;
- (3) to distribute copies;
- (4) to perform publicly; and
- (5) to display publicly.

Id. § 106.

58. *Harper & Row*, 501 F. Supp. at 848.

59. 17 U.S.C. § 109 (1982).

60. *See, e.g.*, 17 U.S.C. § 109(a) (1982) (permitting the owner of a copy to dispossess it, presumably by rental, lease or otherwise). The legislative comment accompanying § 109

courts have recognized that the first sale doctrine does not apply when the copy is licensed rather than actually sold.⁶¹ Based on legislative and judicial interpretation of section 109, state contract laws permit the section 109 limitation on the copyright owner's exclusive rights to be avoided.

However, both common and statutory state law in another similar area have been held preempted. Section 117⁶² permits the owner of a copy of a computer program to make copies of the program for two purposes: (1) to use the program on a computer, since loading a program into a computer involves making a copy, and (2) to back up a piece of software, i.e., to make a copy of the program to be stored on a separate medium from the original copy in case the program is accidentally erased from the original copy. These two provisions in section 117 place limitations on the computer program copyright owner's exclusive right to make copies of its copyrighted work. A third limitation in section 117 limits the copyright owner's exclusive right to create derivative works, by permitting the owner of a copy of a computer program to modify the program for use on the purchaser's computer. Can the copyright owner, by contractual provision, forbid the purchaser of the copy from loading the program into the computer or from making a backup copy? If section 117 is given application analogous to that given section 109, the copyright holder may avoid the section 117 limitations.

However, in *Vault Corp. v. Quaid Software Limited*, both the Louisiana District Court and the Fifth Circuit answered the question in the negative.⁶³ The court determined that at least some aspects of Louisiana's Software License Enforcement Act (SLEA) were preempted by federal copyright law. The SLEA validates the provisions contained in many mass-marketed software license agreements, the so-called shrink wrap agreements. The particular license agreement that was involved in *Vault* prohibited, among other things, copying software for back up

says "This does not mean that conditions on future disposition of copies or phonorecords, imposed by a contract between their buyer and seller, would be unenforceable between the parties as a breach of contract." HOUSE REPORT, *supra* note 6, at 5693. Presumably, the legislature contemplated that the copyright holder could sell copies with restrictions on transfer.

61. See *Columbia Pictures Indus. v. Redd Horne, Inc.*, 749 F.2d 154, 159 (3d Cir. 1984); *American Int'l Pictures v. Foreman*, 576 F.2d 661, 664 (5th Cir. 1978); *United States v. Drebin*, 557 F.2d 1316, 1326 (9th Cir. 1977); *United States v. Wise*, 550 F.2d 1180, 1191 (9th Cir. 1977), *cert. denied*, 434 U.S. 929 (1977), *reh'g denied*, 434 U.S. 977 (1977); *Hampton v. Paramount Pictures Corp.*, 297 F.2d 100, 103 (9th Cir. 1960); *United States v. Bily*, 406 F. Supp. 726, 731 (E.D. Pa. 1975); *United States v. Wells*, 176 F. Supp. 630, 633 (S.D. Tex. 1959).

62. 17 U.S.C. § 117 (1982).

63. 655 F. Supp. 750 (E.D. La. 1987), *aff'd*, 847 F.2d 255 (5th Cir. 1988) (Louisiana's Software License Enforcement Act preempted by federal copyright law).

purposes and modifying the software by reverse engineering or decompilation.

Vault creates and markets computer programs that prevent the software user from making a usable copy of the programs contained on its encrypted diskette. The district court in *Vault* decided that Vault's license agreement was "a contract of adhesion which could only be enforceable if the [SLEA] is a valid and enforceable statute."⁶⁴ The court determined that the SLEA was preempted by federal copyright law. Hence, under *Vault*, the copyright holder of the computer program may not limit the owner's rights recognized in section 117 contractually, because section 117 preempts the state statute that validates the copyright holder's contractual limitations. The holding of the *Vault* court on this issue is not entirely consistent with the judicial application of section 109.

Finally, states are reserving to themselves the right to legislate on the manner of marketing certain types of copyrighted works, such as is being done with the motion picture licensing statutes.⁶⁵

VI. CONCLUSION

Preemption of state law by federal regulation of copyright protection is an increasingly debated issue. Federal copyright law was held to preempt some aspects of state law under the supremacy clause. However, the extent of that preemption was not clear from the Supreme Court cases applying the preemption doctrine under the supremacy clause. In the 1976 Copyright Act, Congress acted to legislatively abolish state common law copyright protection and to clarify the preemptive effect of the federal copyright law. Unfortunately, section 301 and its legislative history do not clarify the extent of section 301's preemptive effect for courts encountering the issue of preemption of various state laws. The overriding consideration should be the balancing of the public interest in free competition and free dissemination of information against the individual author's right to protect her economic interest in her intellectual property.

64. *Id.* at 761.

65. *See, e.g.,* Warner Bros., Inc. v. Wilkinson, 533 F. Supp. 105 (D.C. Utah 1981), *dismissed and remanded*, 782 F.2d 136 (10th Cir. 1985) (Utah's Motion Picture Fair Bidding Act not preempted); Associated Film Distrib. Corp. v. Thornburgh, 520 F. Supp. 971 (E.D. Pa. 1985), *rev'd and remanded*, 683 F.2d 808 (3d Cir. 1982), *on remand*, 614 F. Supp. 1100 (E.D. Pa. 1985), *aff'd*, 800 F.2d 369 (3d Cir. 1986), *cert. denied*, 480 U.S. 933 (1987) (Pennsylvania's similar act not preempted); Allied Artists Pictures Corp. v. Rhodes, 496 F. Supp. 408 (S.D. Ohio 1980), *aff'd*, 679 F.2d 656 (6th Cir. 1982) (Ohio's similar act not preempted).