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A Less-Formalistic Copyright Preemption

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A LESS-FORMALISTIC COPYRIGHT PREEMPTION

Guy A. Rub*

Federal law plays a central role in the development, distribution, and consumption of information goods but it is not the only player on this field. A mixture of state law doctrines, some originating with the common law and some with statutory law, also affects the lifecycle of intangible property rights. This dual system can create conflicts that invite courts to decide when state laws should be preempted by the supremacy of federal law.

This Essay focuses on the tensions between state laws and federal copyright law. It argues that since the enactment of the express preemption provision of the Copyright Act of 1976 copyright preemption jurisprudence has become more and more formalistic. Courts nowadays decide whether state laws are preempted by mechanically applying tests that, too often, have little to do with identifiable federal copyright policies.

The problem of copyright's express preemption doctrine is exacerbated because it is almost the exclusive legal tool that courts use to address the potential conflicts between state laws and federal copyright law. The Essay argues that there is no need for courts to limit themselves to the express preemption doctrine. It explores whether the inclusion of an express preemption provision in the Copyright Act was meant to curtail or even eliminate other forms of preemption. This is not an easy question, but, considering the structure of the Copyright Act, its legislative history, and the absurd result that would be conceivable if preemption is limited to express preemption, it rejects that approach. The Essay, therefore, concludes by calling courts to routinely apply the principles of implied preemption when state law seems to directly conflict or to stand as an obstacle to federal copyright policy. The doctrine can provide courts with an effective tool and inject much-needed flexibility into this area of the law.

* Associate Professor, Michael E. Moritz College of Law, The Ohio State University. I would like to thank Chris Walker and the participants and attendees of the panel of IP and Federalism at the American Association of Law School's Annual Meeting. All remaining errors are, of course, my own.

330 *J. INTELL. PROP. L.* [Vol. 24:329

TABLE OF CONTENTS

I.	INTRODUCTION	331
II.	THE FORMALISM OF COPYRIGHT’S EXPRESS PREEMPTION.....	333
	A. COPYRIGHT PREEMPTION BEFORE THE ENACTMENT OF THE COPYRIGHT ACT OF 1976.....	333
	B. THE ENACTMENT OF COPYRIGHT’S EXPRESS PREEMPTION.....	335
	C. APPLYING COPYRIGHT’S EXPRESS PREEMPTION	337
	D. THE EXTRA ELEMENT TEST	339
III.	THE MARGINALIZATION OF IMPLIED PREEMPTION.....	347
	A. THE DOMINANCE OF EXPRESS PREEMPTION	347
	B. ARE COURTS FREE TO APPLY CONFLICT PREEMPTION?	349
IV.	CONCLUSIONS	355

I. INTRODUCTION

Federal law plays a central role in the creation, development, distribution, and consumption of information goods. Congress used its power under the IP Clause to enact the federal Copyright Act and Patent Act, its power under the Commerce Clause to enact the Lanham Act, and, recently, both those powers to enact a federal trade secrets law, the Defend Trade Secrets Act (DTSA). Nevertheless, federal law is not the only player on this field. A mixture of state law doctrines, some originating with the common law and some with statutory law, also touch upon the creation, development, distribution, and consumption of information goods.

This dual system can create conflicts that invite courts to decide whether state laws should be preempted by the supremacy of federal law. There are various ways in which state laws might conflict with federal IP law. For instance, state laws may compete and possibly substitute, partly or completely, federal law. For example, in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, the Supreme Court held that a Florida statute prohibiting the use of a direct molding process to duplicate boat hulls is preempted by the Patent Act.¹ Indeed, such state law might conflict with federal policy by providing an alternative and broader form for protecting inventions, and potentially even channel inventors outside of the federal patent system. Other state laws, however, might conflict with federal IP policy without substituting it. For example, it could be argued that Vermont's Bad Faith Assertions of Patent Infringement Act²—making it a tort to assert federal patent claims in bad faith—undermines federal patent policy, although it obviously does not substitute the federal scheme.³

This Essay focuses on the conflict between state laws and federal copyright law. It argues that since the passage of the Copyright Act of 1976—which included, for the first time, an express preemption provision, Section 301(a)—copyright preemption jurisprudence has become more and more formalistic. Courts nowadays decide whether state laws are preempted or not by

¹ 489 U.S. 141, 168 (1989).

² VT. STAT. ANN. tit. 9, § 4197 (2014).

³ This Essay takes no position as to whether Vermont's statute, or similar statutes enacted in recent years in other states, should be preempted by federal law. See, e.g., Roger Allan Ford, *The Uneasy Case for Patent Federalism*, 2017 WISC. L. REV. 551, 555–56 (examining arguments for and against such state statutes); Paul R. Gugliuzza, *Patent Trolls and Preemption*, 101 VA. L. REV. 1579, 1587–88 (2015) (examining the constitutionality of such state statutes); Camilla A. Hrdy, *The Reemergence of State Anti-Patent Law*, 89 U. COL. L. REV. (forthcoming 2018) (exploring such state statutes and arguing for limiting states' power in this area).

mechanically applying tests that, too often, have little to do with identifiable federal copyright policies.

There are two main factors that contribute to the gap between the ways in which preemption disputes are adjudicated and sound copyright policy: first, the formalistic, mechanic, and policy-absent way in which courts apply the Copyright Act's express preemption provision and second, a reluctance to move beyond express preemption and to broadly and routinely use the more flexible conflict preemption doctrine.

Part II focuses on the ways in which courts apply the Copyright Act's express preemption mechanism and in particular the leading test they use: the extra element test. Under this test, a state cause of action is preempted if it does not include an extra element that makes it different from a copyright infringement cause of action.⁴ Part II demonstrates the failure of the extra element test by focusing on the preemption of breach of contract claims. It shows that this test often leads to the preemption of contracts that should not be preempted, while, at times, it does not preempt potentially more problematic contracts.

The failure of the extra element test is traced to the express preemption mechanism itself and the circumstances that led to its enactment. Specifically, the express preemption provision was designed to eliminate the dual protection system that existed prior to the enactment of the Copyright Act of 1976. That dual system allowed states to protect unpublished works and limited federal copyright protection to published work. However, once the Copyright Act of 1976 bestowed, for the first time, federal protection to unpublished works, the dual system was no longer needed or desirable. Section 301(a), the express preemption provision, thus abolished that dual system by preempting state protection of unpublished work. In other words, Section 301(a) was primarily designed to prevent states from setting forth a statutory scheme that would compete with the protection afforded by federal law for unpublished works. For that reason, this express preemption mechanism focuses on rights under state law that are "*equivalent*" to federal law. Indeed, equivalent protection schemes were antithetical to Congress's attempt to establish a uniform national copyright protection system. The express preemption provision, however, was probably not designed to address, and, as we shall see, it does not properly address, the potential risk to federal policy from those state laws that might undermine that policy without replacing it.

The problem of the express preemption doctrine is exacerbated because it is currently almost the exclusive legal tool that courts use to address the potential

⁴ See *infra* Section II.C.

conflict between state laws and federal copyright law. Indeed, as explored in Part III, since the enactment of the Copyright Act of 1976, courts, for the most part, refrain from even considering other forms of preemption. Specifically, courts typically do not question whether state laws directly conflict with federal law or whether they “stand[] as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress,”⁵ an inquiry that is suitable under existing well-established implied preemption doctrines. This focus on express preemption denies courts an effective and flexible legal tool and a pertinent perspective for considering the tension between the federal copyright ecosystem and state laws.

Part III also explores whether the inclusion of express preemption provision in the Copyright Act of 1976 was meant to curtail or even eliminate implied conflict preemption. This is not an easy question. In *Geier v. American Honda Motor*, the Supreme Court held that while Congress is entitled to limit implied preemption, the inclusion of an express preemption provision typically does not do so.⁶ Saving clauses—those provisions that provide which state laws are shielded from preemption—should typically be interpreted not to exclude conflict preemption altogether.⁷ However, the text of the saving clause in the Copyright Act is significantly broader than the one that was considered by the Supreme Court in *Geier*. That text might imply that Congress did intend to eliminate implied preemption. The Essay considers that possibility, but, bearing in mind the structure of the Copyright Act, the legislative history, and the absurd result that would be conceivable if implied preemption is abolished, it rejects that interpretation. The Essay, therefore, concludes by calling courts to routinely apply the principles of implied preemption when state laws seem to directly conflict with or to “stand as an obstacle” to federal copyright policy.

II. THE FORMALISM OF COPYRIGHT’S EXPRESS PREEMPTION

A. COPYRIGHT PREEMPTION BEFORE THE ENACTMENT OF THE COPYRIGHT ACT OF 1976

The Supremacy Clause of the Constitution states that “the Laws of the United States . . . shall be the supreme law of the land.”⁸ From this Clause emerged the federal preemption doctrine under which “state laws that conflict

⁵ *Ariz. v. United States*, 132 S. Ct. 2492, 2501 (2012) (quoting *Hones v. Davidowitz*, 312 U.S. 52, 67 (1941)).

⁶ 529 U.S. 861, 884 (2000).

⁷ *Id.* at 869.

⁸ U.S. CONST. art. VI, cl. 2.

with federal law are ‘without effect.’⁹ The Supreme Court held that Congress has the power to preempt state law and that this preemption power “may be either expressed or implied.”¹⁰ Implied preemption can be found in two cases: First, “[w]hen Congress intends federal law to ‘occupy the field’”¹¹ and second, “to the extent of any conflict with a federal statute.”¹² The first is typically called field preemption and the later conflict preemption.¹³ Conflict preemption can be found in two instances: “where ‘compliance with both federal and state regulations is a physical impossibility,’”¹⁴ and in “those instances where the challenged state law ‘stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.’”¹⁵ The first of such conflict preemptions is typically called actual conflict preemption while the latter is typically called purposes and objectives preemption or obstacle preemption.¹⁶

Each of those preemption doctrines is convoluted and, at least at the margins, quite vague. Together, this amalgam creates a legal complexity that requires careful and nuanced analysis. The Supreme Court, which decides preemption cases frequently, noted this complexity:

Where . . . Congress has not stated specifically whether a federal statute has occupied a field in which the States are otherwise free to legislate, different criteria have furnished touchstones for decision. Thus, this Court, in considering the validity of state laws in the light of . . . federal laws touching the same subject, has made use of the following expressions: conflicting; contrary to; occupying the field; repugnance; difference; irreconcilability; inconsistency; violation; curtailment; and interference. But none of these expressions provides an infallible constitutional test or an

⁹ *Altria Grp., Inc. v. Good*, 555 U.S. 70, 76 (2008) (citing *Maryland v. Louisiana*, 481 U.S. 725, 746 (1981)).

¹⁰ *Gade v. Nat’l Solid Wastes Mgmt. Ass’n*, 505 U.S. 88, 98 (1992) (citing *Jones v. Roth Packing Co.*, 430 U.S. 519, 525 (1977)).

¹¹ *Crosby v. Nat’l Foreign Trade Council*, 530 U.S. 363, 372 (2000) (citing *California v. ARC Am. Corp.*, 490 U.S. 93, 100 (1989)).

¹² *Id.* at 372 (citing *Hines v. Davidowitz*, 312 U.S. 52, 66–67 (1941)).

¹³ *Oneok, Inc. v. Learjet, Inc.*, 135 S. Ct. 1591, 1595 (2015).

¹⁴ *Arizona v. United States*, 567 U.S. 387, 399 (2012) (citing *Fla. Lime & Avocado Groves, Inc. v. Paul*, 373 U.S. 132, 142–43 (1963)).

¹⁵ *Arizona*, 567 U.S. at 399 (citing *Hines*, 312 U.S. at 67).

¹⁶ See *Hillman v. Maretta*, 133 S. Ct. 1943, 1950 (2013).

exclusive constitutional yardstick. In the final analysis, there can be no one crystal clear distinctly marked formula.¹⁷

Copyright preemption cases can present similar complexity, and in the past they did. Consider, for example, *Goldstein v. California*—the last major Supreme Court decision on copyright preemption—decided on the eve of the passage of the Copyright Act of 1976.¹⁸ In that case, the Court held, over two dissenting opinions by four justices, that a California statute that criminalized the copying of sound recordings (which, at the time, were not protected by federal copyright law) was not preempted. The Court held that the Constitution does not preclude states from creating their own copyright-like mechanisms, and that Congress did not intend to occupy the field.¹⁹ Therefore, the Court continued, states are free to grant exclusive rights to authors.²⁰ The Court then went on to examine whether the specific state law in question conflicted with the purpose and objectives of the then effective federal statute (the Copyright Act of 1909) and concluded that it did not.²¹ The Supreme Court also stated that Congress has the power to dictate national policy in the protection or the lack of protection of “a particular category of ‘writing.’”²² In 1976, when Congress revised the Copyright Act, it did just that and for the first time decided to expressly preempt certain state laws.

B. THE ENACTMENT OF COPYRIGHT’S EXPRESS PREEMPTION

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

[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

¹⁷ *Pennsylvania v. Nelson*, 350 U.S. 497, 501–02 (1956).

¹⁸ 412 U.S. 546 (1973). The Court addressed copyright preemption again in *Capital Cities Cable, Inc. v. Crisp*, 467 U.S. 691 (1984), which is discussed below. See *infra* note 98.

¹⁹ *Goldstein*, 412 U.S. at 567.

²⁰ *Id.* at 560–61.

²¹ *Id.* at 570 (“[Congress] has left the area unattended, and no reason exists why the State should not be free to act.”).

²² *Id.* at 559.

such right or equivalent right in any such work under the common law or statutes of any State.

While Section 301 had a major effect on the relationship between federal copyright law and various state laws, Congress's motivations for enacting it were more modest. Prior to the enactment of the Copyright Act of 1976, states played a central role in protecting fixed works of authorship. As the Supreme Court held in *Whitton v. Peters*, the Court's first major copyright case, prior to publication works were typically protected by state law—commonly referred to as common law copyright—and after publication they were exclusively protected by federal copyright law.²³ This dual system created various practical issues²⁴ until Congress decided, following long deliberations,²⁵ to abolish it as part of the then-new Copyright Act of 1976 and to replace it with a uniform federal scheme from the moment of fixation. Section 301, was designed to achieve just that, as the House Report accompanying that bill explained:

Section 301, one of the bedrock provisions of the bill, would accomplish a fundamental and significant change in the present law. Instead of a dual system . . . the bill adopts a single system of Federal statutory copyright from creation. Under Section 301 a work would obtain statutory protection as soon as it is 'created' . . . Common law copyright protection for works coming within the scope of the statute would be abrogated, and the concept of publication would lose its all-embracing importance.²⁶

Section 301(a) therefore was enacted with a very specific goal in mind—eliminating common law protection for unpublished works. However, the provision was broadly drafted and it since shapes, almost exclusively, the relationship between federal copyright law and state law. As the following Sections explain, Section 301 created two effects that together transformed

²³ 33 U.S. 591, 662–64 (1834).

²⁴ The main difficulty was in defining the exact moment of publication. This issue led courts to come up with complex and unintuitive rules. *See, e.g.*, *Estate of Martin Luther King, Jr., Inc. v. CBS, Inc.*, 194 F.3d 1211 (11th Cir. 1999) (holding that Martin Luther King, Jr. did not “generally publish” his famous *I Have a Dream* speech by delivering it on the steps of the Lincoln Memorial, as viewed by millions); H.R. REP. NO. 94-1476, at 126 (1976) (“[P]ublication, perhaps the most important single concept of the present law [the 1909 Act], also represents its most serious defect”).

²⁵ H. COMM. ON THE JUDICIARY, 89TH CONG., SUPP'Y REG'S REP. ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 81–83 (Comm. Print 1965) (describing some of the arguments and the changes in the Copyright Office's approach toward to abolishment of the dual system).

²⁶ H.R. REP. NO. 94-1476, at 129 (1976).

copyright preemption into a formalistic technical test. First, in analyzing the most significant part of Section 301(a)—the equivalency requirement—courts resorted to a formalistic formula: the extra element test.²⁷ Second, courts discuss copyright preemption almost exclusively under the auspice of Section 301(a), whereas other forms of preemption doctrines, and in particular implied conflict preemption, receive very little attention.²⁸ The combination of those two moves created a formalistic copyright preemption reality which, for the most part, ignores the underlying need of every sound preemption policy: promoting federal policy by defining and preserving a space in which state law may not invade.

C. APPLYING COPYRIGHT'S EXPRESS PREEMPTION

Copyright's express preemption provision—Section 301(a)—which was enacted in 1976, was never interpreted by the Supreme Court. Lower courts, however, adopted a two-part test for analyzing preemption under it:

First, the work of authorship in which rights are claimed must fall within the “subject matter of copyright” as defined in Sections 102 and 103 of the [Copyright] Act. [Second,] [t]he statute also requires that a state law create[s] “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.²⁹

Thus, the first prong of the test requires the court to determine if the work in question is “within the subject matter of copyright.” Most courts agree that this prong must be broadly interpreted and it must not be limited to copyright protected works. Otherwise, states would be free to protect non-protected elements, including facts and ideas, without taking into account the federal policy embodied in the Copyright Act.³⁰ The Fifth Circuit, for example,

²⁷ See *infra* Section I.C.

²⁸ See *infra* Section II.A.

²⁹ Harper & Row Publishers, Inc. v. Nation Enterprises, 723 F.2d 195, 200 (2d Cir. 1983), *rev'd*, *on other grounds*, 471 U.S. 539 (1985).

³⁰ Facts are not protected by copyright as lacking originality. Feist Publications, Inc., v. Rural Telephone Service Co., 499 U.S. 340 (1991). Ideas are explicitly excluded from protection. 17 U.S.C. § 102(b) (2012) (“In no case does copyright protection for an original work of authorship extend to any idea.”). See also 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) (discussing the need to interpret the first prong broadly).

recently considered whether a misappropriation of trade secret claim, which was based on the alleged copying of “know-how, ideas, procedures, processes, systems, methods of operation, and concepts”—all of which are not protected by copyright—is preempted by Section 301(a).³¹ The court noted that the Second, Fourth, Sixth, Seventh, and Ninth Circuit “recognized that for the purpose of preemption under Section 301(a), ideas fixed in tangible media fall within the subject matter of copyright” and that only the Eleventh Circuit held differently, and it decided to join the majority approach.³²

The case law is somewhat more complicated and less consistent than that. For example, the Fifth Circuit is correct in pointing out that in *Dunlap v. G&L Holding Group*, the Eleventh Circuit discussed the issues at length and concluded that “[because] ideas are substantively ineligible for copyright protection and, therefore, are categorically excluded from the subject matter of copyright . . . a plaintiff’s claim for conversion of his ideas—even original ideas expressed in a tangible medium—is not preempted by the Copyright Act.”³³ In other decisions, however, both before and after *Dunlap*, the Eleventh Circuit held, or at least was willing to assume, that state law causes of action with respect to works that were not protected by copyright might nevertheless be preempted.³⁴ Similarly, one can find decisions, mainly from federal district courts, but in rare cases even from federal circuit courts, that read the “subject matter requirement” quite narrowly.³⁵ Nevertheless, the dominant approach is clear, as

³¹ *Spear Mktg., Inc. v. BancorpSouth Bank*, 791 F.3d 586, 595–96 (5th Cir. 2015).

³² *Id.* at 597 (“[W]e join the majority position and hold that state law claims based on ideas fixed in tangible media are preempted by § 301(a).”).

³³ *Dunlap v. G&L Holding Grp., Inc.*, 381 F.3d 1285, 1297 (11th Cir. 2004).

³⁴ *See Lipscher v. LRP Publications, Inc.*, 266 F.3d 1305, 1311 (11th Cir. 2001) (accepting the Seventh Circuit reasoning from *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1453 (7th Cir.1996) that “‘subject matter of copyright’ [for preemption purpose] includes all works of a type covered by [the copyright act], even if federal law does not afford protection to them” and holding that the work before it, which consisted of factual information, “even if [] not copyrightable, [is] nevertheless within the subject matter of copyright”); *see also Utopia Provider Sys., Inc. v. Pro-Med Clinical Sys., L.L.C.*, 596 F.3d 1313, 1326 (11th Cir. 2010) (favorably quoting the decision in *Lipscher* and discussing only the second prong of the preemption claim while implicitly assuming that the work, which was not protected by copyright as a method of operation, is within the subject matter of copyright for preemption purposes).

³⁵ For a circuit court example *see Acorn Structures, Inc. v. Swantz*, 846 F.2d 923, 926 (4th Cir. 1988) (holding, in a very short opinion, that a breach of contract claim with respect to an architectural plans is not preempted because *the contract* “[D]oes not arise out of the subject matter of copyright”). In later opinions, however, the Fourth Circuit adopted a broader approach both in the context of breach of contract claim and in other state law causes of action. *See United States ex rel. Berge v. Bd. of Trustees of the Univ. of Alabama*, 104 F.3d 1453, 1463 (4th Cir. 1997) (holding that a conversion claim is preempted even as it applies to idea because if “falls within the scope of the subject-matter of copyright”); *Takeall v. Pepsico, Inc.*, 1993 WL 509876,

it was summarized by the Sixth Circuit: “the scope of protection afforded under copyright law is not the same as the scope of preemption. Rather . . . ‘the shadow actually cast by the [Copyright] Act’s preemption is notably broader than the wing of its protection.’”³⁶

D. THE EXTRA ELEMENT TEST

The second prong of the express preemption analysis—the equivalency prong—is the more complex of the two. This is where courts have taken a turn toward formalism. This 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 in Section 106. . . .”³⁷ The rights specified in Section 106 are the exclusive rights: reproduction, adaptation, distribution, and public display and performance.³⁸ Thus, in the second stage of the analysis, the court must decide if the rights created by state law are equivalent to the exclusive rights.

What does “equivalent” mean in this context?³⁹ 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*

at *7 (4th Cir. 1993) (holding that an implied-contract claim with respect to an idea was preempted, without explicitly addressing the subject matter question). As an example from a district court opinion see *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, an implies-in-fact contract claim with respect to an idea, is not preempted because “[the plaintiff’s] campaign idea is not a matter covered under the Copyright Act” thus ignoring a long line of cases, including a Ninth Circuit en banc opinion, *Montz v. Pilgrim Films & Television, Inc.*, 649 F.3d 975, 979 (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.”)).

³⁶ *Wrench L.L.C. v. Taco Bell Corp.*, 256 F.3d 446, 454 (6th Cir. 2001) (quoting *United States ex rel. Berge v. Bd of Trustees of the Univ. of Alabama*, 104 F.3d 1453, 1463 (4th Cir. 1997)).

³⁷ 17 U.S.C. § 301(a) (2012).

³⁸ 17 U.S.C. § 106 (2002).

³⁹ It should be noted that the term was introduced during the legislative process. An earlier version of the express preemption Section referred to “all rights in the nature of copyright,” H.R. 4347, 89th Cong., 2d Sess. (1966), which is presumably broader. The only explanation that was provided for such a change, which is quite unsatisfactory, is that it was intended “to more exactly define the intent of the Congress.” S. REP. NO. 94-473, at 78 (1975). See MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 1.01[B](1), nn.47–58 (2015).

*incorporating elements beyond mere reproduction or the like, the rights involved are not equivalent and preemption will not occur.*⁴⁰

Courts agree that not every extra element will suffice to save the state law from preemption, but instead, it is required that “the ‘extra element’ changes the ‘nature of the action so that it is qualitatively different from a copyright infringement claim.’”⁴¹ Indeed, practically every state cause of action will be somewhat different from a copyright cause of action and therefore, if every minor difference would preclude preemption, then Section 301(a) would be meaningless.

Nevertheless, the extra element test led courts to formalistically ask questions that, too often, have little to do with federal copyright policy. Instead of zooming out and considering whether the state cause of action, as a whole, disturbs copyright policy, courts zoom in on specific elements of that cause of action and consider whether those are significant enough in the abstract.

The case law on preemption of contracts demonstrates the formalistic, counterintuitive, and arbitrary nature of the extra element test. The tension between copyright and contracts goes to the heart of the problem discussed in this Essay. Both copyright law and contract law can regulate certain actions with respect to certain information goods fixed in a tangible medium of expression. However, because contracts can regulate what copyright leaves unregulated and free to exploit—such as ideas, facts, or fair use—there is tension between the two.⁴² While this tension can, at least in theory, be addressed using various doctrinal vehicles, such as the public policy doctrine under state contract law,⁴³ in practice, it has almost exclusively been discussed under the auspice of copyright preemption doctrine.

In the typical case, the parties entered a contract regarding a certain information good. The contract provides the parties with rights and duties that are somewhat different from those dictated by copyright law. For example, the contract might limit a certain use that does not include copying, distribution,

⁴⁰ Harper & Row Publishers, Inc. v. Nation Enterprises, 723 F.2d 195, 200 (2d Cir. 1983), *rev'd, on other grounds*, 471 U.S. 539 (1985) (emphasis added).

⁴¹ Computer Associates Int'l, Inc. v. Altai, Inc., 982 F.2d 693, 716 (2d Cir. 1992).

⁴² Others have, of course, noted this tension before. *See infra* note 54.

⁴³ *See, e.g.*, RESTATEMENT (SECOND) OF CONTRACTS § 178(1) (1981) (“A promise or other term of an agreement is unenforceable on grounds of public policy if . . . the interest in its enforcement is clearly outweighed in the circumstances by a public policy against the enforcement”). There are other doctrines can restrict certain contracts over information goods including unconscionability, copyright misuse, and antitrust law. An analysis of those doctrines is beyond the scope of this Essay.

adaptation, or public display or performance;⁴⁴ or it can limit the copying or distribution of information that is not protected by copyright, such as facts or ideas;⁴⁵ or it can limit an action that a statutory defense shield from liability, such as a usage that is fair.⁴⁶ With copyright liability being unavailable, the plaintiff resorts to a state law claim for a breach of contract and the defendant argues that the claim is preempted.

There are close to 300 decisions that follow this fact pattern.⁴⁷ Two main approaches have emerged in those decisions. I elsewhere called those approaches the “no-preemption approach” and the “facts-specific approach.”⁴⁸ The no-preemption approach is mostly identified with Judge Frank Easterbrook’s opinion in *ProCD v. Zeidenberg*.⁴⁹ In that opinion, Easterbrook noted that copyright and contracts are not equivalent because “A copyright is a right against the world. Contracts, by contrast, generally affect only their parties . . . so contracts do not create ‘exclusive rights.’”⁵⁰ Easterbrook partly relied on an earlier decision, *Taquino v. Teledyne Monarch Rubber*—the first circuit court decision to articulate the no-preemption approach—which used the extra element test to reach a similar conclusion.⁵¹ As the Fifth Circuit explained: “This 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.”⁵²

The no-preemption approach has become the dominant approach for contract preemption in the last twenty years as it was gradually adopted by most

⁴⁴ *E.g.*, *Nat’l Car Rental Sys., Inc. v. Computer Associates Int’l, Inc.*, 991 F.2d 426, 431–32, 435 (8th Cir. 1993) (enforcing a promise to use software for the exclusive benefits of the promisor and not third parties); *Acorn Structures, Inc. v. Swantz*, 846 F.2d 923 (4th Cir. 1988) (enforcing a promise not to use architectural plans for building a house).

⁴⁵ *E.g.*, *Montz v. Pilgrim Films & Television, Inc.*, 649 F.3d 975, 980–81 (9th Cir. 2011) (en banc) (enforcing a promise that restricted the copying of an idea for a TV show); *ProCD v. Zeidenberg*, 86 F.3d 1447, 1453–55 (7th Cir. 1996) (enforcing a promise that restricted the copying of factual information).

⁴⁶ *E.g.*, *Bowers v. Baystate Techs., Inc.*, 320 F.3d 1317, 1325 (Fed. Cir. 2003) (enforcing a promise to refrain from reverse engineering notwithstanding that such an action at typically considered fair use. *See Sony Computer Entertainment, Inc. v. Connectix Corp.*, 203 F.3d 596 (9th Cir. 2000), is considered fair use).

⁴⁷ Guy A. Rub, *Copyright Survives: Rethinking the Copyright-Contract Conflict*, 103 VA. L. REV. 1141, 1225–45 (2017) (identifying 279 such opinions and explaining that due to methodological limitations there are certainly more decisions that were not identified).

⁴⁸ *Id.* at 3.

⁴⁹ 86 F.3d 1447 (7th Cir. 1996).

⁵⁰ *Id.* at 1454.

⁵¹ 893 F.2d 1488, 1501 (5th Cir. 1990).

⁵² *Id.*

federal appellate courts that addressed the issue.⁵³ But as this approach was gaining ground, it was heavily criticized by commentators.⁵⁴ One line of criticism is that the *ProCD* court clinged to formalistic distinctions between personal rights and rights against the world, ignoring the more complex reality of standard form agreements and their broad effect.⁵⁵ In other words, the argument is that placing so much weight on the existence of the contractual promise itself, without considering whether such a promise can undermine copyright policy, is too formal and does not serve the goals that preemption tries to promote.

But the competing approach regarding the preemption of contracts—the facts-specific approach—is at least as formalistic and arbitrary. Under that approach, currently adopted by the Sixth Circuit and several district courts,⁵⁶ contracts are not automatically shielded from preemption. The court instead must examine the content of the contract to see if it creates equivalent rights and thus preempted. Specifically, “If the promise amounts only to a promise to refrain from reproducing, performing, distributing or displaying the work, then the contract claim is preempted.”⁵⁷ In other words, this approach forces courts to focus on the regulation of the exclusive rights. If the contract tries to regulate only such actions, it is preempted.

The problem is that this test shows very little correlation, maybe none, with the goals of copyright law in general, or with the promotion of federal copyright policy. First, like many formalistic rules, the facts-specific approach requires courts to place significant weight on small distinctions that are somewhat arbitrary and might have little relevancy to the underlying policy.⁵⁸ The focus on the exclusive rights to the exclusion of other factors creates this effect in this context. Indeed, drawing distinctions between actions that are part of the

⁵³ Rub, *supra* note 47, at 1147 (“[I]t seems that the no-preemption approach is now the law in the Fifth, Seventh, Ninth, Eleventh, and the Federal Circuits.”).

⁵⁴ See, e.g., MARGARET JANE RADIN, *BOILERPLATE: THE FINE PRINT, VANISHING RIGHTS, AND THE RULE OF LAW* 39–50, 169–76 (2013); Michael E. Kenneally, *Commandeering Copyright*, 87 NOTRE DAME L. REV. 1179, 1185–86 (2012); Mark A. Lemley, *Beyond Preemption: The Law and Policy of Intellectual Property Licensing*, 87 CALIF. L. REV. 111, 128–33, 147–50 (1999); David Nimmer, Elliot Brown & Gary N. Frischling, *The Metamorphosis of Contract into Expand*, 87 CALIF. L. REV. 17, 23 (1999); Guy A. Rub, *Contracting around Copyright: The Uneasy Case for Unbundling of Rights in Creative Works*, 78 U. CHI. L. REV. 257, 267–73 (2011).

⁵⁵ E.g., Kenneally, *supra* note 54, at 1235–36 and the references therein.

⁵⁶ E.g., *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 453–59 (6th Cir. 2001); *We Shall Overcome Found. v. Richmond Org., Inc.*, 221 F. Supp. 3d 396, 413 (S.D.N.Y. 2016).

⁵⁷ *Wrench*, 256 F.3d at 457; see also Nimmer, Brown & Frischling, *supra* note 54, at 48.

⁵⁸ See, e.g., RICHARD POSNER, *ECONOMIC ANALYSIS OF LAW* 747–48 (8th ed. 2011) (“Rules tend to be crude, because they exclude relevant facts . . . that exclusion also makes them somewhat arbitrary, and, as a result, counterintuitive.”).

exclusive rights and those that are not is cumbersome, somewhat arbitrary, and easy to circumvent.

National Car Rental System v. Computer Associates Intern, a famous decision on this issue that used the facts-specific approach, illustrates this point.⁵⁹ Computer Associate (CA) sold data-processing software to National Car Rental Systems (National) under a contract that prohibited National from allowing third parties to use the software.⁶⁰ 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.⁶¹

The U.S. District Court for the District of Minnesota agreed with National 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.⁶² In other words, the District Court perceived the contractual promise as a prohibition on lending and because distribution is an exclusive right (that is significantly limited by the first sale doctrine)⁶³ it held that the contract was preempted.⁶⁴ 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.⁶⁵ Therefore, the Eighth Circuit ruled, the contract allowed CA to control an activity that is not an exclusive right—usage.⁶⁶ Consequently, the contract was saved from preemption because it went beyond limitation on transferability and expanded the rights of the copyright owner.⁶⁷ The distinction, however, between the reasoning of the district court and that of the Eighth Circuit seems minuscular and, from a copyright policy perspective, meaningless.

Second, *National Car Rental System* points out to another major weakness with the facts-specific approach, and with the extra element test in general. It encourages information-good providers to *expand* their rights beyond the scope of copyright law, which seems wrong, counterintuitive, and harmful from a federal policy perspective. After all, the Eighth Circuit ultimately held that the contract at question was not preempted because it restricted the licensee in a

⁵⁹ 991 F.2d 426, 426 (8th Cir. 1993).

⁶⁰ *Id.* at 427–28.

⁶¹ *Id.* at 428.

⁶² *Nat'l Car Rental Sys., Inc. v. Computer Associates Int'l, Inc.*, 1992 WL 5959, at *4 (D. Minn. Jan. 17, 1992), *rev'd*, 991 F.2d 426 (8th Cir. 1993).

⁶³ 17 U.S.C. § 109(a) (2012) (permitting inter alia the owner of a copy of copyrighted good to lend it to others).

⁶⁴ *Nat'l Car Rental Sys., Inc.*, 1992 WL 5959, at *4.

⁶⁵ *Nat'l Car Rental Sys., Inc. v. Computer Associates Int'l, Inc.*, 991 F.2d 426 (8th Cir. 1993).

⁶⁶ *Id.* at 435.

⁶⁷ *Id.*

way that goes *beyond* the restrictions found within copyright law. Is the goal of a sound preemption policy to encourage information providers to seek rights that are not granted by copyright law? Of course not. Nevertheless, many courts that have adopted the facts-specific approach have used similar reasoning.⁶⁸ As a result, very few contracts are actually found preempted, and those that are typically raise minimal policy concerns, if at all. In many cases, those contracts provide the plaintiff with a contractual right to sue for copying of copyrighted work, a right that already exists under copyright law.⁶⁹ Preempting such contracts is, in many cases, meaningless.⁷⁰ In other words, the extra element test is both overbroad—leading to the preemption of contracts that do not raise serious federal policy concerns,⁷¹ and too narrow—allowing contracts that expand the rights of the copyright owner to be shielded from preemption.

Third, the facts-specific approach does not limit promises regarding payment. While this is, in a way, a subset of the previous point, it requires special attention. Copyright owners do not have a right to be paid. They instead have rights to prevent certain actions, such as copyright, distribution, and public display, with respect to their work.⁷² Of course, they typically agree not to pursue such right—i.e., to grant a license—in return for a payment or a promise to be paid. Still, payment itself is not an exclusive right and therefore, when a court technically and formalistically applies the facts-specific approach, a right that is guaranteed by a promise to pay typically escapes preemption.

⁶⁸ See, e.g., *Hireguru, LLC v. McKay*, No. 3:16-CV-01669-MBS, 2016 WL 4536344, at *3 (D.S.C. Aug. 31, 2016) (a promise to refrain from reverse engineering is not preempted because reverse engineering is fair use and not copyright infringement); *Expeditors Intern. of Washington, Inc. v. Direct Line Cargo Mgt. Services, Inc.*, 995 F. Supp. 468, 483–84 (D.N.J. 1998) (holding a contract not preempted because it may be interpreted to impose obligations that goes beyond their written license agreement); see also notes 73–78 and accompanying text.

⁶⁹ 17 U.S.C. § 106(1) (2012).

⁷⁰ See, e.g., *Wolff v. Inst. of Elec. & Elecs. Eng'rs, Inc.*, 768 F. Supp. 66, 69 (S.D.N.Y. 1991) (finding a contractual promise to refrain from copying preempted while holding that the copying constitutes copyright infringement). There are cases, of course, in which a promise to refrain from copying copyrighted information is valuable, for example, when the copyright claim is barred on procedural ground or when the plaintiffs prefer to bring their claims in state court. See *Rub*, *supra* note 47, at 1201–02; 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).

⁷¹ See also *Rub*, *supra* note 47, at 1189–91 (explaining how the facts-specific approach can lead to the preemption of commercially reasonable contracts, such as confidentiality agreements).

⁷² 17 U.S.C. § 106.

While this legal construction might seem over-formalistic and quite arbitrary, it is commonly used.⁷³ The Second Circuit decision in *Forest Park Pictures v. Universal Television Network, Inc.*⁷⁴ demonstrates it. In this case, the plaintiff allegedly pitched an idea for a television show to the defendant. The defendant rejected the idea but later produced a similar show. The plaintiff sued for a breach of contract, claiming that the parties had an implied-in-fact contract that provided that if the defendant uses the plaintiff's idea then it would pay for such usage.⁷⁵ The defendant argued that such a promise, even if implied by state law, is preempted. The Southern District of New York, where this case originated, is notorious for producing dozens of contradicting opinions on this matter, with many of them applying the no-preemption approach and many others rejecting it and applying the facts-specific approach instead.⁷⁶ But in this case, the Second Circuit didn't see any need to put this issue to rest and to choose one approach over the other. Instead, the Second Circuit held that even if one adopts the more restrictive facts-specific approach, the promise in question was nothing more than a promise to pay.⁷⁷ Because payment, the court continued, is not an exclusive right, such a promise is not preempted even under the facts-specific approach.⁷⁸

Sophisticated contract drafters can, however, reach almost any result using promises to pay. Take, for example, a license agreement that includes a promise not to create a parody of the underlying work. Under the no-preemption approach the license agreement will be enforceable because it includes a promise, which makes it not equivalent to copyright. Facts-specific advocates might point to such an example as an indication of the weaknesses with the no-preemption approach: after all, shouldn't court protect the parodist in such a

⁷³ *E.g.*, *Wrench L.L.C. v. Taco Bell Corp.*, 256 F.3d 446, 457–58 (6th Cir. 2001); *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).

⁷⁴ 683 F.3d 424, 429–33 (2d Cir. 2012).

⁷⁵ 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).

⁷⁶ Compare *Am. Movie Classics Co. v. Turner Entm't. Co.*, 922 F. Supp. 926, 931–32 (S.D.N.Y. 1996) (explaining, in a long and detailed opinion, why contracts should not be automatically shielded from copyright preemption), with *Architectronics, Inc. v. Control Sys.*, 935 F. Supp. 425, 438–41 (S.D.N.Y. 1996) (holding, just a few months later, in a long and detailed opinion, that contracts should be shielded from copyright preemption). See also *Canal+ Image UK, Ltd. v. Lutvak*, 773 F. Supp. 2d 419, 441–44 (S.D.N.Y. 2011) (exploring more than a dozen of the court's inconsistent decisions on this question).

⁷⁷ 683 F.3d at 432–33.

⁷⁸ *Id.*

situation?⁷⁹ Limiting parodies, which are de facto per se fair use,⁸⁰ might indeed seem inconsistent with copyright policy.

Does the facts-specific approach yield better results in this case? Initially, it might seem so. A promise to refrain from creating a parody limits the reproduction of information good, and because reproduction is an exclusive right, it is likely preempted under the facts-specific approach. But what if a hypothetical licensor requires the licensee not to refrain from creating a parody but to promise to pay the copyright owner for it? The payment provision can take many forms: a promise to pay reasonable royalties, the damage to the market of the licensor, and the benefits to the licensee. The exact wording of this provision is not critical. What is important is that this provision might have almost the same effect as a promise not to create a parody, except that it, being a “mere promise to pay for use,” will escape preemption even under the facts-specific approach.⁸¹ In that respect, the formalism of the extra-element test allowed it to be easily circumvented.

Those examples point to the weaknesses of the facts-specific approach, and the extra element test in general. This test starts with asking the wrong question—whether a state cause of action is “equivalent” or not to copyright—and it continues by answering this wrong question with a formalistic counterintuitive answerer that does not seem to serve any reasonable federal copyright policy.

Can courts apply a more sophisticated test under Section 301(a) to reach better results? Maybe. It is at least conceivable that courts could read more meaning into the word “equivalent” and have it capture causes of action that poses a threat to the copyright ecosystem.

While such an approach might be desirable, it will not be trivial to apply. Courts are at least partly bound by the text of Section 301(a) and its emphasis on the equivalency requirement. This text focuses on those state laws that might *substitute* copyright law and, as such, it probably does not allow courts to ask the right questions. Indeed, while courts might develop a more sophisticated test for deciding if a contract, or another cause of action under state law, is equivalent to copyright, at the end of the day this is simply not the right inquiry. Section 301(a) was designed with a specific goal in mind—guaranteeing that states do not try to create a legal regime that *substitutes* major parts of the federal copyright law

⁷⁹ See Nimmer, Brown & Frischling, *supra* note 54, at 56.

⁸⁰ *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).

⁸¹ See also Rub, *supra* note 47, at 1188 (demonstrating how a promise to pay could have allowed ProCD to prevent others from commercially using its database, a result that was reached on other grounds in *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1453 (7th Cir.1996) and was harshly criticized by many scholars).

scheme. It was not designed to, and probably cannot, deal with state laws that presumably *undermine* but not replace the federal scheme.

The failure of the facts-specific approach in the context of contract preemption is, from this perspective, predictable. The approach simply fails to fit a round peg in a square hole: it tries to limit state law actions that might *undermine* copyright policy using a legal tool that is designed to identify and preempt state laws that *substitute* the federal scheme itself. Therefore, just relaxing the formalism of the extra element test cannot get us very far. A meaningful preemption doctrine will need to openly and routinely rely on a different doctrine altogether—conflict preemption. To this argument the Essay now turns.

III. THE MARGINALIZATION OF IMPLIED PREEMPTION

A. THE DOMINANCE OF EXPRESS PREEMPTION

Goldstein v. California, discussed above,⁸² was an implied preemption decision. The Court asked itself two questions that are typical of an implied preemption analysis: did the Constitution or the Copyright Act of 1909 preempt the field, or are states allowed to operate in this space; and, assuming that states are authorized to operate in this space, does the California statute in question conflict and stand as an obstacle to federal law policy?

Courts rarely ask those questions in copyright-related disputes anymore. Instead, they focus almost exclusively on express preemption analysis. For example, out of the close to 300 court decisions on the preemption of contracts by the Copyright Act, fewer than ten even considered the question of implied preemption. Implied preemption, and in particular conflict preemption, have been addressed in only two federal appellate court decisions.⁸³ Focusing instead on the strict tests of copyright's express preemption led courts to mostly ignore the question that is in the heart of conflict preemption analysis: does state law—and in particular the laws that enforce certain contracts—conflict with federal law or stand as an obstacle to federal policy? More specifically, are those contractual provisions that set forth arrangements that are different from those established by the Copyright Act stand as an obstacle to federal policy? Courts, in other words, typically ignore the most important inquiry.

⁸² See *supra* Section II.A.

⁸³ *Ryan v. Editions Ltd. W., Inc.*, 786 F.3d 754, 761–62 (9th Cir. 2015); *Davidson & Associates v. Jung*, 422 F.3d 630, 638 (8th Cir. 2005). In both cases the breach of contract claim was found not to be preempted. In a related decision, *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 270 (5th Cir. 1988), the court applied conflict preemption to find a state *statute*, dealing with licenses agreements, to be preempted.

The use of conflict preemption should not be reserved for unusual or extreme cases, if at all. Conflict preemption should instead be considered in practically every copyright preemption case.⁸⁴ In fact, in the context of preemption of contracts, this might be the primary and, in many cases, the only question that should be asked. The focus of the express preemption inequity—whether the state law causes of action can substitute copyright law—is mostly inapplicable to contracts. It is typically inconceivable that contracts, which for the most part do not affect third parties, will replace copyright law. It is therefore not surprising that those who tried to apply Section 301(a) to contractual disputes typically failed to do so.⁸⁵

Contracts, however, at least in theory, can undermine copyright law policy⁸⁶—a question that is suitable for the conflict preemption inquiry. For example, when a promisee tries to enforce a promise to refrain from reverse engineering, which is typically considered fair use under copyright law,⁸⁷ the relevant question is not whether that promise is equivalent to copyright law. It is quite reasonable to hold that it is not, as there are significant differences between it and a copyright infringement claim. But that’s not the real issue. The real difficulty is that enforcing such a promise raises a series of concerns that cannot really be considered under the “equivalency” framework. More pertinent questions are, for example, whether that promise allows the promisee to control elements that are not protected by copyright in a way that would restrain future creation too much and prevent competition in a way that would undermine copyright law’s intent of granting creator with only limited monopoly power. I don’t suggest that those are easy questions to answer—they are not—but only that those are the right questions to ask. Those questions have little to do with the “equivalency” between contracts and copyright and everything to do with whether those contractual promises “stand[] as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.”⁸⁸ The conflict preemption framework, in other words, points courts in the right direction by guiding them to the relevant policy questions.

⁸⁴ This Essay is not the first to call for broader use of conflict preemption in the context of copyright law. See, e.g., Christina Bohannon, *Copyright Preemption of Contracts*, 67 MD. L. REV. 616, 622–23 (2008); Lemley, *supra* note 54, at 145–46; 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).

⁸⁵ See *supra* Section II.C.

⁸⁶ Cf. Rub, *supra* note 47, at 1208–18 (suggesting that in practice in most contexts, but not in all of them, contracts cannot undermine copyright policy).

⁸⁷ Pamela Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537, 2606–09 (2009).

⁸⁸ *Arizona v. United States*, 132 S. Ct. 2492, 2501 (2012) (quoting *Hones v. Davidowitz*, 312 U.S. 52, 67 (1941)) (explaining the principles of conflict preemption).

Granted, conflict preemption is, at least at the margins, vague. It leaves significant room for interpretation and it provides a broad discretion to judges. However, it also injects flexibility into an area of the law that, for too long, resorted to formalistic, counterintuitive, and mostly arbitrary tests under Section 301(a).

Courts and litigators, nevertheless, seem hesitant to go outside the narrow scope of the express preemption doctrine and to routinely consider whether a state cause of action survives the conflict preemption analysis. It is possible that they, knowingly or not, place significant weight on Congress's decision to include an express preemption provision in the Copyright Act of 1976, and assume that in doing so Congress aimed to limit the scope, or maybe eliminate, conflict preemption. As further discussed in the next Section, there is even a statutory hook for such an approach. The next Section, however, rejects this argument and claims that the express preemption provision does not exclude or even curtail the scope of the conflict preemption doctrine.

B. ARE COURTS FREE TO APPLY CONFLICT PREEMPTION?

Does the inclusion of an express preemption provision in the Copyright Act of 1976, which is still in effect today, imply that courts should refrain from applying implied preemption? As a matter of general constitutional law, the Supreme Court clarified that the answer is no.

In *Geier v. American Honda Motor*, the Court held that a plaintiff's tortious cause of action was not *expressly* preempted by the Motor Vehicle Safety Act of 1966.⁸⁹ However, the Court, by a 5–4 majority, held that the state cause of action was still preempted because it conflicted with federal regulations.⁹⁰ In other words, the Supreme Court examined the state law cause of action from both express preemption and implied preemption perspectives. Can the same approach be used in copyright-related disputes? Does *Geier* mean that courts are free to use conflict preemption together with express preemption in such cases?⁹¹ I conclude that they are free to do so, but reaching this conclusion is not without doubts, as it requires addressing the broad language of the preemption saving clause of the Copyright Act.

The preemption saving clause is found in Section 301(b)(3) of the Copyright Act. It reads:

⁸⁹ 529 U.S. 861, 869–74 (2000).

⁹⁰ *Id.*

⁹¹ See Glynn S. Lunney, Jr., *Copyright Preemption and Viral Contracts* (on file with author) (examining this question and concluding that courts should do so).

Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to 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 106.⁹²

Read together with Section 301(a), which preempts “legal or equitable rights *that are equivalent to any of the exclusive rights* within the general scope of copyright,”⁹³ Section 301(b)(3) seems to suggest that the preemption power of the Copyright Act is limited to its express preemption provision. After all, whether courts read the equivalency requirement broadly or narrowly, every “legal or equitable rights” is either “equivalent” or “not equivalent” to any of the exclusive rights within the general scope of copyright. If it is equivalent it should be preempted pursuant to Section 301(a) and if not, it should be saved from preemption pursuant to the saving clause.

The saving clause, 301(b)(3), was not addressed in the very few decisions that apply conflict preemption to contractual claims.⁹⁴ In fact, there are very few decisions that addressed the effect of the saving clause on the scope of the conflict preemption analysis under copyright law in any context.⁹⁵ In those rare

⁹² 17 U.S.C. § 301(b)(3) (2012) (emphasis added).

⁹³ *Id.* § 301(a) (emphasis added).

⁹⁴ See *supra* Section III.A.

⁹⁵ To the best of my knowledge, most of the decisions that did address the availability of conflict preemption in copyright cases—and there are very few of those—were decided before the Supreme Court decision in *Geier*. The most direct analysis of this question is probably found in *Allied Artists Pictures Corp. v. Rhodes*, 496 F. Supp. 408 (S.D. Ohio 1980). In that case, the court rejected a conflict preemption claim stating that

Congress, in drafting Section 301, was free to include state laws relating to non-equivalent rights among those laws it chose to preempt, and Congress elected not to do so. Congress carefully and expressly limited preemption to laws governing all rights equivalent to those within the scope of copyright, and excluded from preemption all other legal and equitable rights.

Id. at 444. However, in the next paragraph the court undermined that conclusion when it cited *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229 (1964), a decision that applied conflict preemption in the context of patent law, and noted that “it may not be gainsaid that [the Copyright Act] is the supreme law of the land and its policy ‘may not be set at naught, or its benefits denied,’ by state law touching upon the area of the federal statutes.” *Id.* It therefore seems to leave an opening for a preemption power that is broader than Section 301. See also *Storer Cable Commc’ns v. City of Montgomery*, 806 F. Supp. 1518, 1533–35 (M.D. Ala. 1992) (noting that “there is authority that suggests that conflict preemption analysis is not appropriate when legislation, such as the Copyright Act, contains an express preemption clause.” This statement is of course inconsistent with the later Supreme Court decision in *Geier*).

decisions in which conflict preemption was addressed, courts typically either addressed it separately from the express preemption analysis⁹⁶ or ignored the express preemption provision, Section 301, altogether and directly addressed the potential conflict between state law and the goals of the federal Copyright Act.⁹⁷ The Supreme Court, in its single decision involving copyright preemption since the enactment of the Copyright Act of 1976, briefly addressed such a conflict, presumably applying the principles of the conflict preemption doctrine, without considering or even citing Section 301.⁹⁸

The most in-depth analysis of the issue in the post-*Geier* era can probably be found in *Foley v. Luster*, 249 F.3d 1281 (11th Cir. 2001). In that case, several copyright infringers sued another infringer for indemnification, claiming that the latter was responsible for the entire infringement damages. *Id.* at 1284–85. The defendant argued that the indemnification claim was preempted. The court explained that the standard “extra element test” is inapplicable because that test “was developed to protect the ‘exclusive rights’ of copyright holders,” *id.* at 1286, and it cannot be used in a claim that deals with “the allocation of responsibility between copyright infringers” Therefore, the court continued, the saving clause was inapplicable “[b]ecause the question before us does not fall within this provision of the Act.” The court concluded that “[i]nstead, we apply general preemption law to determine whether an indemnity case . . . is preempted by the Act.” *Id.* The court went on and considered the express preemption doctrine, conflict preemption, and field preemption and concluded that the indemnification claim was not preempted. *Id.* at 1286–88.

This analysis is severely lacking. The saving clause was not developed “to protect the ‘exclusive rights’ of copyright holders” as the court suggested but to keep a space for state law to operate. Nothing in the text of the saving clause or the rationale for its enactment automatically precludes applying it to a lawsuit between infringers. The real difficulty that the court had to deal with in that case—an issue it failed to adequately articulate—is the same difficulty that this Essay addresses: Section 301 does not seem to address all the situations in which copyright law and state law might conflict.

⁹⁶ See, e.g., *Ryan v. Editions Ltd. W., Inc.*, 786 F.3d 754 (9th Cir. 2015); *Carson v. Dynegey, Inc.*, 344 F.3d 446, 457 (5th Cir. 2003); *Brown v. Ames*, 201 F.3d 654, 659 (5th Cir. 2000) (“The fact that Section 301 does not apply does not end the inquiry, however. Although Section 301 preemption is not appropriate, conflict preemption might be.”).

⁹⁷ See, e.g., *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 270 (5th Cir. 1988) (discussing conflict preemption without even citing to Section 301); see also *Orson, Inc. v. Miramax Film Corp.*, 189 F.3d 377, 383 (3d Cir. 1999) (“Miramax argues both express preemption and conflict preemption. Although both may be applicable, because our analysis more closely parallels that used in cases applying conflict principles, we proceed on that ground.”).

⁹⁸ *Capital Cities Cable, Inc. v. Crisp*, 467 U.S. 691, 710–11 (1984). In that decision, the Court held that an Oklahoma statute that banned alcoholic beverages advertising in, inter alia, out-of-state signals carried by cable operators in the state was preempted. The decision focused on the conflict between the Oklahoma statute and the federal regulatory scheme, as set forth by the Federal Communications Commission pursuant to the Communications Act of 1934. However, the Court also stated that Oklahoma law “would plainly thwart the policy identified by both Congress and the FCC,” *id.* at 711, because it would not allow Oklahoma cable stations to use the statutory license for retransmitting copyrighted shows, set forth in Section 111 of the Copyright Act. To use that statutory license, retransmitters are required to “refrain from deleting or altering commercial advertising on the broadcast signals it transmits.” 17 U.S.C. § 111(c)(3) (2012). In

Does the broad language of the saving clause block the application of conflict preemption? It is not an easy question but in the following paragraphs I argue that interpreting the saving clause in a way that would make conflict preemption inapplicable would lead to absurd results that are inconsistent with Congress's reasonable intent. As such, I argue that courts should read the saving clause more narrowly, as preserving certain state causes of action from the being expressly preempted, but not from being held unenforceable pursuant to the conflict preemption doctrine.

Granted, the text of the saving clause seems broad and clear. By its language—“[n]othing *in this title* annuls or limits any rights or remedies . . .”⁹⁹—it does not limit just the preemption power of Section 301(a) but that of the entire Copyright Act. Congress is indeed allowed to limit the preemption power of its statutes, including their implied preemption power.¹⁰⁰ However, in this case, reading the text literally and concluding that Congress chose to do so, would lead to absurd results.

In *Geier*, the Supreme Court held that preemption-saving clauses should be narrowly read when considering the extent to which they preclude the application of the principles of implied preemption.¹⁰¹ While the language of the Copyright Act's saving clause is significantly broader than the one considered in *Geiger*, the rationale of that decision applies in the context of copyright law as well.

The majority in *Geier* explained that if conflict preemption were inapplicable, states would be able to undermine federal policy.¹⁰² The same is true in the context of copyright law. Consider, for example, whether a state, by statute, can penalize its residents for registering their copyright. For example, can the state create a cause of action in tort law (or even criminal law) for such registration?¹⁰³

other words, the Supreme Court used the test of conflict preemption without considering the effect, if any, of the saving clause as to the scope of that type of preemption.

⁹⁹ 17 U.S.C. § 301(b)(3) (emphasis added).

¹⁰⁰ *Geier v. American Honda Motor*, 529 U.S. 861, 872 (2000) (“We do not claim that Congress lacks the constitutional power to write a statute that mandates such a complex type of state/federal relationship [i.e., limits preemption to only expressive preemption] . . .”).

¹⁰¹ *Id.* at 871–72.

¹⁰² *Id.* at 871.

¹⁰³ I am not aware of any state law that punishes copyright registration or that so bluntly interferes with federal copyright policy. *Cf.* Hrды, *supra* note 3 (exploring how states pass “anti-patent” legislation that might curtail the rights of patentee under federal law and their abilities or enforce those rights). The closer example in the context of copyright law might be parts of New York Stat New York Arts and Cultural Affairs Law, enacted in 1995, which require performing rights societies to inform proprietors within seventy-two hours of entry of business for purposes of copyright infringement investigation. A federal court enjoined the enforcement of those

Under the federal Copyright Act, registration is a pre-requirement for filing copyright infringement claims.¹⁰⁴ Consequently, such a state cause of action would severely discourage copyright litigation and would significantly affect and possibly derail federal policy. However, this cause of action falls neatly within the scope of the saving clause, 301(b)(3).¹⁰⁵ Therefore, from a narrow textual perspective, this provision might make such state law automatically shielded not only from the express preemption effect of the Copyright Act but it might even prevent the application of conflict preemption. It is extremely unlikely, however, that in enacting Section 301(b)(3) Congress meant to allow such state law cause of action to be automatically immune from preemption.

The House Report explained the rationale for the enactment of the saving clause:

Its purpose is to make clear, consistent with the 1964 Supreme Court decisions in *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, that preemption does not extend to causes of action, or subject matter outside the scope of the revised Federal copyright statute.¹⁰⁶

That explanation makes little sense if the saving clause, either in the form that was before Congress at the time or as it was eventually enacted,¹⁰⁷ was aimed to eliminate conflict preemption. The two Supreme Court decisions that

provisions because they are likely preempted under the conflict preemption doctrine. *Am. Soc. of Composers, Authors, & Publishers v. Pataki*, 930 F. Supp. 873 (S.D.N.Y. 1996).

¹⁰⁴ 17 U.S.C. § 411 (2012).

¹⁰⁵ The right to sue those who register their copyright, created by this hypothetical state law, is not a right that is “equivalent to any of the exclusive rights within the general scope of copyright,” and therefore it seems to fall within the scope of the saving clause. 17 U.S.C. § 301(b)(3).

¹⁰⁶ H.R. REP. NO. 94-1476, at 131 (1976).

¹⁰⁷ Section 301(b) was revised during the legislative process. Originally, this provision included a list of state law causes of action that are explicitly not preempted. The list included “rights against misappropriation not equivalent to any of such exclusive rights, breaches of contract, breaches of trust, trespass, conversion, invasion of privacy, defamation, and deceptive trade practices such as passing off and false representation.” The list was removed during the legislative process. *See* NIMMER & NIMMER, *supra* note 39, § 1.01[B][1][f][i] (exploring the unclear legislative history that led to the deleting of the list, and suggesting that it might have been designed to address a very specific concern over the broad scope of the term “misappropriation”). Courts have struggled as to whether that deletion implies that Congress intended those causes of action to be preempted. The leading view is that the removal of the list is mostly meaningless and that courts should apply the same test to all state causes of action, whether or not they were included in the deleted list. *See, e.g., Nat’l Car Rental Sys., Inc. v. Computer Associates Int’l, Inc.*, 991 F.2d 426, 433–34 (8th Cir. 1993).

the report refers to are conflict preemption decisions. In *Sears*, for example, the Court considered whether Illinois unfair competition law can impose liability for the copying of an article which is not protected by patent law. The Court applied the principles of conflict preemption and held that allowing states to impose liability “would be too great an encroachment on the federal patent system to be tolerated.”¹⁰⁸ *Sears*, as well as *Compco*, a companion case decided the same day, thus demonstrates the need to allow courts to use the flexibility of the conflict preemption doctrine to consider the extent to which state law may encroach on federal law and federal policy. The text of the saving clause does the opposite.¹⁰⁹ Indeed, the legislative history of the saving clause does not indicate or even imply any intent to eradicate conflict preemption.

The absurdity doctrine deals with situations in which the literal interpretation of a statutory text leads to absurd results. The Supreme Court explained:

Where the literal reading of a statutory term would compel an odd result, we must search for other evidence of congressional intent to lend the term its proper scope . . . Looking beyond the naked text for guidance is perfectly proper when the result it apparently decrees is difficult to fathom or where it seems inconsistent with Congress’ intention.¹¹⁰

Even a textualist like the late Justice Antonin Scalia accepted the necessity of such a doctrine, stating that “sometimes there is no sense of a provision . . . that can eliminate the absurdity unless the court fixes a textual error . . . What the rule of absurdity seeks to do is what all rules of interpretation seek to do: make sense of the text.”¹¹¹ Obviously, such a doctrine, which allows the interpreter to trump the plain language of the text, is a slippery slope. A legal system should

¹⁰⁸ *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964).

¹⁰⁹ *Sears* and *Compco* are sometimes considered decisions in which the Court held that only federal patent law can create patent-like rights. *E.g.*, James M. Treece, *Patent Policy and Preemption: The Stiffel and Compco Cases*, 32 U. CHI. L. REV. 80, 87 (1964) (“Federal policy [] seems to require at the least that all exploited ‘writings’ and ‘discoveries’ find protection under the federal statute or go unprotected.”). It is possible that the House Report was referring to that aspect of those decisions in suggesting that the saving clause is consistent with them. This explanation is not without doubts. First and foremost, while this theory might provide a rationale for limiting the express preemption mechanism, as its main goal is just to create a uniform national system and, maybe, nothing more, it is a weak support for reading the saving clause broadly, as elimination conflict preemption.

¹¹⁰ *Public Citizen v. U.S. Dep’t of Justice*, 491 U.S. 440, 454 (1989).

¹¹¹ ANTONIN SCALIA & BRYAN A. GARNER, *READING LAW: THE INTERPRETATION OF LEGAL TEXTS* 234–35 (2012); *see also* John F. Manning, *The Absurdity Doctrine*, 116 HARV. L. REV. 2387 (2003).

be careful in allowing judges to rewrite statutes. Therefore, the power that the absurdity doctrine entails should be carefully used.¹¹²

For the reasons explored in this Section, I believe that Section 301, and in particular the saving clause, is an example of such a rare case. Indeed, the literal reading of the saving clause would lead to absurd results. It will preclude courts from applying conflict preemption, which would allow states to almost freely interfere with federal policy. It is indeed difficult to fathom that such a result is consistent with Congress's intention. Interpreting the saving clause in a way that would make sense of the text is quite possible. Instead of applying the saving clause to the Copyright Act in its entirety, it should be interpreted as limiting Section 301(a)—the express preemption clause.¹¹³ In other words, the saving clause should not limit courts from applying the principles of implied conflict preemption and they should feel free to broadly use it.

IV. CONCLUSIONS

Copyright preemption doctrine needs to preserve a space in which only federal law can operate. Unfortunately, since the enactment of the Copyright Act of 1976, which included for the first time an express preemption provision, the decisions as to when state law invades that space and when it does not are primarily guided by the extra element test. The test, however, does not seem to

¹¹² SCALIA & GARNER, *supra* note 111, at 237 (“Yet error-correction for absurdity can be a slippery slope.”); *see generally* Kimble v. Marvel Ent., LLC, 135 S. Ct. 2401, 2415 (2015) (“[W]ith great power there must also come—great responsibility.” (quoting STAN LEE AND S. DITKO, AMAZING FANTASY NO. 15: SPIDER-MAN, 13 (1962))).

¹¹³ A comparable Section in the Copyright Act—dealing with the preemption power of the Visual Artists Rights Act of 1990 (VARA)—illustrates this suggested interpretation. In 1990, when Congress enacted VARA, it added a separate preemption provision to prevent states from offering rights that are equivalent to VARA. This provision, 17 U.S.C. § 301(f) (2012), is almost identical to Section 301. *Compare* 17 U.S.C. § 301(f) (preempting “all legal or equitable rights that are equivalent to any of the rights conferred by Section 106A”), *with* 17 U.S.C. § 301(a) (preempting “all legal or equitable rights that are equivalent to any of the rights conferred by Section 106”). Congress also include a saving provision for the VARA-preemption clause, but that provision includes one dramatic difference from the general preemption-saving provision this Essay discusses. VARA’s saving clause states that “Nothing in paragraph [301(f)(1)] annuls [right that are not equivalent to rights under Section 106A],” 17 U.S.C. § 301(f)(2)(B) (emphasis added), while the general saving clause reads “Nothing in this title annuls [right that are not equivalent to rights under Section 106].” 17 U.S.C. § 301(b)(3) (emphasis added). This comparison points to the problem with the general saving clause and the way to fix it. Instead of starting with “nothing in paragraph (a) annuls [certain state laws]” it starts with the unreasonably broader “nothing in this title annuals [certain state laws]” which seems to be a drafting oversight that can lead to absurd results.

promote reasonable copyright policies. This is a formalistic test that is applied mechanically in a way that leads to counterintuitive results.

While courts might be able to address some of those difficulties by taking a more flexible approach in interpreting the express preemption provision, it seems that a better and more comprehensive solution is found outside of express preemption. This Essay, therefore, calls for the routine application of implied conflict preemption in copyright-related disputes. That doctrine can free copyright preemption from the formalistic grasp of the extra element test and can inject much-needed flexibility to this area of the law. This flexibility should allow courts to fine-tune preemption to achieve the goals of the federal copyright law.