Introduction

Proposed Uniform Commercial Code Article 2B (Article 2B) would remake the law of software and intellectual property licensing in a radical way. Some of the more dramatic changes are apparent, at least to those who have invested the time in reading the rapid succession of 200-plus page drafts. But lurking behind the changes Article 2B would impose on the state law of transactions in information is another, more fundamental, shift that is larger than the debate over Article 2B itself. Article 2B creates a fundamental conflict between the goals of federal and state intellectual property law and the contract law that will govern intellectual property licenses. Under an Article 2B regime, litigation won't be about what the parties agreed to do with intellectual property. It won't even be about the scope or limits of intellectual property law itself. Rather, litigation will be about the limits that intellectual property law and policy impose on state enforcement of contracts that contravene, distort, or ignore that law. To paraphrase Whit Diffie, it will be about the transformation of copyright law from a creator's rights statute to a consumer protection statute.

B. Potential Conflicts with Intellectual Property Law

Article 2B's expansion of contractual power sets up the potential for numerous conflicts between intellectual property and contract law. Intellectual property law is designed to provide creators with a limited set of rights over ideas and inventions in order to serve the instrumental purpose of encouraging more creation. For many good reasons, the law does not grant intellectual property owners boundless control over their creations. First, granting exclusive rights raises the cost of new works to the public, and in some cases means that the public won't get access to the works at all. Second, granting property rights to original creators allows them to prevent subsequent creators from building on their works, which means that a law designed to encourage the creation of first-generation works may actually risk stifling second-generation creative works. Third, the goal of intellectual property is only to provide the "optimal incentive," not the largest incentive possible. Past a certain point, it would be inefficient to withhold works from the public domain in order to provide ever-decreasing "incentives" to their creators. As Larry Lessig has observed, "while we protect real property to protect the owner from harm, we protect intellectual property to provide the owner sufficient incentive to produce such property. "Sufficient incentive," however, is something less than "perfect control."
Giving the parties unlimited power under contract law to vary the rules of intellectual property creates considerable tension with this balanced incentive structure. And permitting the parties to alter intellectual property law with a standard-form, unsigned "shrinkwrap license," in which even the fiction of "agreement" is stretched to the vanishing point, exalts the (standard) form of contract law over the substance of intellectual property.

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2. Copyright Law

Copyright law contains a number of compromises between the desires of authors and those of the consuming public. It is therefore not surprising that contracts written by a copyright owner often claim to give the licensor greater rights than are granted by copyright law. Similarly, contracts written by an assignee or licensee sometimes seek to take away rights that the copyright law grants exclusively to authors. Several examples follow.

First, some contracts provide that the licensee may not make any copies of the licensed work. If the copyrighted work is a computer program, such a license term conflicts directly with section 117 of the Copyright Act, which gives owners of a copy of a program the right to make both archival copies and copies necessary to run the program. In some cases, the license term may also run afoul of the right to make "fair use" of the copyrighted work. Indeed, it is not very hard to find contractual provisions that claim to preclude any copying by the user, whether or not the copying would be fair use. And one can certainly imagine copyright owners including "no-parody" provisions in their licenses, if courts would enforce them. But fair use is designed precisely to allow nonconsensual uses, and "contracting around" fair use thus presents a conflict with the goals of the doctrine.

Second, many software contracts purport to prohibit reverse engineering of the licensed software. These terms may conflict with a user's apparent right under copyright law to reverse engineer copyrighted works for certain purposes. This is perhaps the most common example in the software industry of a conflict between contractual terms and copyright policy.

Third, software and digital information contract terms often seek to prohibit the licensee from moving a program to an upgraded computer or from altering, upgrading, or "debugging" the program. Such requirements may conflict with at least the spirit, and arguably the letter, of section 117, which gives users the right to copy and adapt the program to the extent necessary to run it on a particular machine. In particular, section 117 was intended to give users the right to upgrade programs themselves, and to transfer software programs to newer hardware or operating systems, even if the transfer requires translation of the code.

Fourth, contract terms commonly prohibit licensees from transferring or assigning their particular copy of a work. Such provisions may conflict with the "first sale" doctrine in copyright law, which gives the owner of a particular copy of a copyrighted work the right to dispose of that copy without the permission of the copyright owner. Whether this is actually a conflict depends on whether the copyright owner "sold" or "licensed" the copy in question; the first sale doctrine does not prevent restrictions on the transfer of licensed items.

Fifth, contractual provisions may seek to prevent the user of a copyrighted work from performing or displaying the program to the public under any circumstances. Such a license provision would conflict with section 110 of the Copyright Act, which expressly immunizes certain performances. Similarly, limitations on certain uses of some types of works may run afoul of other specific exceptions in the
Copyright Act, such as the right of libraries to make certain copies, the right of cable and satellite systems to engage in secondary transmission and simultaneous copying subject to compulsory licenses, n71 the rights to make photographic reproductions of some types of copyrighted works without authorization, n72 and the right to play music in jukeboxes subject to an arbitrated compulsory license. n73

Sixth, copyright owners are granted certain rights that they cannot waive, assign, or license. Most notable here is the right of authors to terminate transfers of rights in the work between thirty-five and forty years after the work was created. n74 This right is effective "notwithstanding any agreement to the contrary." n75 Similarly, the limited moral rights of a visual artist may not be transferred by the author, even if the copyright is assigned; any waivers of the artist's moral rights are strictly limited by statute. n76 Contractual provisions that purport to transfer rights in violation of these provisions present obvious conflicts with the Copyright Act.

Seventh, the Copyright Act specifically defines works "made for hire," and therefore the terms of initial ownership of copyrighted works. n77 It also governs the way in which transfers of copyright ownership may be made, n78 and precludes oral assignment agreements. n79 An agreement that purports to assign a copyright, but that does not comply with the terms of section 204, conflicts with the Copyright Act. Contract law rules that are inconsistent with section 205(d) also set up a conflict, as would contracts that purported to create "works made for hire" but do not fall within the definition of that term in the statute.

Finally, a contract may "shrink the public domain" by withdrawing from public use certain works that are not subject to intellectual property protection. n80 This is what happened in the ProCD case, n81 in which the plaintiffs were allowed to protect by shrinkwrap license the very material that the Supreme Court had said could not be protected by copyright. n82

Whether this is really a "conflict" in any given case is a complex question. Some uncopyrightable materials can be protected under other laws. For example, uncopyrightable information may be patentable, capable of trade secret protection, or protected by common law copyright. n83 The Supreme Court in Goldstein v. California n84 observed that the central question is whether the work was denied protection because of a federal determination that it should be unprotected, or whether the federal statute simply did not extend to such a work. Only in the latter case can states "remove" works from the public domain. n85 In cases in which contracts purport to protect information in spite of a federal determination that such information should be unprotected, they will conflict with federal policy. n86

3. Trade Secret Law

Protection for trade secrets is largely provided by state statutes or common law, supplemented by federal law. n87 These legal rules often conflict with the desires of licensors. The most common conflicts involve contractual terms drafted by licensors that prohibit reverse engineering or obviate the need for secrecy. Reverse engineering of a trade secret is explicitly allowed by the Uniform Trade Secrets Act, which means that the Act conflicts with contract law if the contract provides that a licensee may not reverse engineer the licensed product. n88 Similarly, license terms that prevent the licensee from challenging the status of software as a trade secret are in apparent conflict with the legal requirement that a trade secret must in fact be secret to be protectable. n89

Trade secrets law in most states also places limitations on the enforceability of employee noncompetition agreements and "trailer clauses." n90 At a minimum, states impose an overarching requirement of "reasonableness" on such agreements, viewing them with disfavor and requiring that they be limited in scope and duration and not violative of other public policies. n91 Other states refuse to enforce employee noncompetition agreements at all, n92 or limit their enforcement to long-term rather than at-will employment contracts. n93 Obviously, all of these public-policy limitations are in tension with the contractual terms they restrict.
4. Trademark Law

Federal trademark law is designed to prevent consumer confusion in the marketplace by encouraging competitors to use distinctive marks to identify their goods, which allows consumers to distinguish those goods from a competitor's.  In order to prevent trademarks from becoming an instrument of consumer confusion, United States trademark law places significant restrictions on a trademark owner's ability to sell or license the mark. These restrictions take two basic forms. First, trademarks cannot be assigned "in gross" - that is, without the goodwill and other assets accompanying the line of business the trademark represents.  Second, if a trademark owner licenses the right to produce or sell trademarked goods to another, the owner must supervise the licensee to make sure that the goods produced or sold under the trademark are of comparable quality to existing trademarked products. Failure to comply with these rules can invalidate the trademark altogether.

Correspondingly, garden-variety breach of contract disputes in trademark license cases may have overtones of federal policy. For example, the right to sell goods produced pursuant to a contract in mitigation of breach is an ordinary part of Uniform Commercial Code Article 2. But if the rejected goods contain the licensor's trademark, reselling them can do significant damage to the principles of trademark law, and may be forbidden under federal law. These policy-based contract limitations set up a conflict with the free alienability that is normally a part of state contract law, although given the current scope of the Article 2B (which does not extend to trademark licenses), it is not a problem for the August Draft.

5. Remedies

By and large, intellectual property law provides for strong property entitlements while contract law does not. The parties to an intellectual property license can agree to fix remedies within the bounds of the intellectual property right. For example, Robert Merges has discussed a number of examples of what he calls "contracting into liability rules," in which parties agree to forego their entitlement to injunctive relief in a licensing transaction. Presumably they are free to do this without any constraint from intellectual property law.

But Article 2B allows intellectual property owners to do the reverse as well - to specify property-rule remedies for breach of contract. Furthermore, Article 2B provides that breach of a license by the licensee may give rise not only to a cause of action for breach of contract, but also for copyright or patent infringement. While there is no direct conflict with federal law here, there is some tension. If a license term that goes further than federal intellectual property law can be enforced by a suit for infringement or its equivalent, the federal law has been expanded just as effectively as if the statute were rewritten.

C. Conclusions

Intellectual property law provides a set of rules to define and limit the rights it creates. Some of those rules are designed to be altered by contract, but others are not. Article 2B would superimpose a rule that all statutory provisions could be waived by contract - and indeed by a form shrinkwrap license that the licensee could not even read, much less agree to, before entering into the transaction. Creating such a contract regime threatens the integrity of the federal structure in a variety of ways; federal law must therefore deal with the tensions Article 2B will create. In the next two Parts, I discuss how federal law and policy might respond to Article 2B.

II Preemption as a Partial Solution

Two extreme solutions are available to reconcile the conflict between freedom of contract and intellectual property policy. First, one might simply say that state enforcement of any contractual provision that is
at odds with an intellectual property rule is preempted by intellectual property law. Alternatively, one might say that contracts are not affected by intellectual property policy, and that parties are therefore free to alter intellectual property rules at will. Neither approach is particularly satisfactory. Contract law and intellectual property law both serve important goals, and when those goals come into conflict, we need some less arbitrary means of reconciling them. In this Part, I consider the extent to which federal preemption law succeeds in resolving the intellectual property-contract conflict. First, I discuss the nature of intellectual property preemption. I then consider the limits of preemption doctrine. I ultimately argue that while preemption has an important role to play in resolving the conflicts that Article 2B will create, it cannot and will not solve the problem alone.

A. The Nature of Intellectual Property Preemption

The issue of preemption is clouded by three factors. First, while all preemption is based on a conflict between a federal statutory scheme and a state law, courts in practice have developed different types of preemption doctrines, each of which has different standards. Second, there are different federal intellectual property statutes at issue, each of which has developed its own unique set of rules for applying preemption doctrine. Third, the issue is not the relatively simple one of whether to preempt a particular state statute, but the more complex one of whether and how to preempt certain parts of contract law without bringing down the whole edifice.

1. The Basic Nature of Preemption

While all federal preemption ultimately is based on the Supremacy Clause and the nature of federal law, several different types of general federal preemption exist. First, Congress may "preempt the field" by declaring that only federal law will govern a certain area. It is well-established that Congress has the power to do this in areas in which it is authorized to legislate. Second, a state statute may simply conflict directly with a federal statute. In such a case, preemption on the basis of the Supremacy Clause is also straightforward and well-accepted. Finally, federal law may preempt a state statute with which it does not directly conflict if "the state law stands "as an obstacle to the accomplishment...of the full purposes and objectives of Congress," whether or not Congress intended to preempt the field. I will refer to these preemption doctrines as "field preemption," "express conflicts preemption," and "implied conflicts preemption" respectively.

2. Intellectual Property Preemption

Application of these general preemption rules has proven troublesome in the intellectual property context. Part of the problem is that the different federal intellectual property statutes have different purposes, and their preemptive scope has been interpreted differently. In this Section, I attempt to parse the rules for intellectual property preemption.

* * *

b. Copyright Law

There are two basic sets of copyright preemption doctrines. One is based on an express statutory provision partially preempting the field; the other is based on express and implied conflicts preemption. The field preemption statute is 17 U.S.C. 301, which provides that "all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright...are governed exclusively by" federal copyright law. Only state laws that protect subject matter outside the scope of copyright and laws granting "rights that are not equivalent to" copyright are saved from this general field preemption. Thus, the structure of copyright preemption differs from patent preemption. Uncopyrightable works
may generally be protected by state law, but copyrightable works normally cannot be unless the state law right differs significantly from copyright.

Courts interpreting section 301 have added even more subtlety. For example, it is generally accepted that because of the peculiar vagaries of the legislative history of section 301, copyright law does not automatically preempt either trade secrets law or contract law. Rather, those state laws are evaluated on a case-by-case basis to determine whether they imprecisely operate in any given situation to create a state right "equivalent" to copyright. Furthermore, courts seem to have created a nonstatutory safe harbor under section 301 for state laws adding an "extra element" not explicitly present in the copyright laws. Contracts have such an "extra element"—the agreement of the parties. Consequently, some courts have held that contracts that limit the user's rights in the purchased copy of the work (for example, by allowing only certain uses of a copyrighted computer program) are not preempted by section 301.

The fact that section 301 does not seem to preempt most contractual provisions does not, of course, mean that copyright law never preempts state contract rules. Copyright preemption might also occur because of a conflict between copyright law or policy and state enforcement of a contract. Sometimes, such a conflict will result from the express terms of the statute. For example, section 203 provides the author with a nonwaivable right to terminate a transfer. A contractual term that purports to waive this right is simply inconsistent with the statute; even if state contract law would otherwise enforce it, federal law will preempt such enforcement. By contrast, some provisions of the Copyright Act expressly provide that they may be waived or altered by contract. For these provisions, there presumably would be no conflict between copyright law and the contractual term.

Unfortunately, most copyright provisions offer no guidance in either direction. For these provisions, courts must define the parameters of implied conflicts preemption. This involves an attempt to figure out whether each particular provision in the Copyright Act is merely a default rule that the parties are free to ignore, or whether it instead reflects a part of the balance of interests in federal policy that should not be upset. Copyright is not a system of absolute property rights. It is "a scheme of carefully balanced property rights that give authors and their publishers sufficient inducements to produce and disseminate original creative works and, at the same time, allow others to draw on these works in their own creative and educational activities." Conflicts-based preemption of contracts will occur not only in cases in which there is a direct conflict with the express terms of the statute, but also in cases in which a state law stands as an obstacle to achieving the general goals of federal law because it upsets the balance struck by Congress.

Courts considering Supremacy Clause preemption of contract terms have reached different results in different cases. A number of courts have preempted contracts under both patent law and copyright law. Other courts have refused to preempt contract terms asserted to be at odds with the copyright or patent statutes. And one recent decision even ignored the question of conflicts preemption entirely, although it was clearly necessary to the resolution of the dispute before it!

Commentators can try to construct general algorithms for explaining these decisions and determining when a contract term will be preempted. For example, one might perhaps draw a reasonable distinction between cases in which a copyright owner licenses less than her entire bundle of rights to a licensee under terms consistent with the copyright laws, and in which the copyright owner licenses some or all rights to a licensee only on the condition that the licensee give up other rights granted him by the copyright laws. More likely, though, courts in the post-Article 2B world will muddle through, and consider contract preemption on a case-by-case basis. It is extremely unlikely that any court will ever hold that the "field" of contract law - or even the slightly more manageable "field" of
contracts governing intellectual property rights n143 - is entirely preempted by federal intellectual property law. The field is too broad, and the role of state contract law in interpreting licensing agreements is too well accepted. On the other hand, enforcement of certain contracts will continue to be preempted, and I suspect that preemption will occur with greater frequency as Article 2B increases the power and scope of contracts.

B. The Limits of Preemption

Preemption analysis is an important and integral part of federal intellectual property law. Indeed, it is likely to become much more important as the growth of state intellectual property rights continues. n144 [*145] But there are a number of reasons why preemption, although necessary, is not sufficient to protect the interests of intellectual property law in the indifferent world of contract. In this Section, I offer several such reasons.

1. Preemption Lacks Nuance

Using preemption doctrine against contracts is something like swinging a sledgehammer at a gnat: you are likely to hit the target, but you may do some serious damage to the things around it. More likely though, and of more immediate concern for my purposes, you might decide not to swing the hammer at all, for fear of hitting the wrong thing. Field preemption doctrine (of the sort evident in section 301 of the Copyright Act) has failed utterly to deal with contract law, and for precisely this reason: courts don't want to preempt the entire field of licensing contracts, and preemption doctrine does not always give them tools fine enough for the delicate legal surgery they must perform. n145 Conflicts preemption holds more promise because it can be directed at the state enforcement of particular contract terms. n146 But it still seems like an awfully big hammer. And indeed there are courts that have refused to apply preemption at all to contract law for this reason, even when the federal policies seem to point strongly in favor of preemption. n147 This lack of nuance will render preemption ineffective if it causes courts to shy away from applying it altogether.

2. Intellectual Property Rules Aren't Always Statutory

The case for conflicts preemption seems quite clear when a contract term contravenes a federal statute. If the parties agree to do something [*146] that the federal statute says they simply can't do - such as transfer moral rights or preclude termination of an initial copyright transfer n148 - it is quite easy to conclude that the contract can't be enforced. The case is a little tougher if the federal statute establishes a clear federal policy, but doesn't discuss the possibility of contracting around its rule. For example, a contract term that says "licensee agrees never to make fair use of the licensed work" clearly contradicts a federal statute, n149 but courts might struggle a bit with whether the contract ought to be preempted or whether the parties are merely agreeing to opt out of a default rule. Courts might struggle even more when the federal policy is nowhere expressed in the statute but is implied from the general "balance between the artist's right...and the public's need for access." n150 There may be strong economic and policy reasons to conclude that a particular doctrine is not merely a default rule, as there are in the case of fair use. n151 But the detailed policy evaluation such a case would require may be ill-suited to the traditional outlines of preemption, which are based on general concepts of legislative intent. Courts may be reluctant to preempt contract terms except in the clearest cases of conflict, further reducing the effectiveness of preemption.

3. Intellectual Property Rules Aren't Always Federal

One very important limitation of federal preemption is that it is federal. Because it is based on the core notion that state law can't override federal law, preemption simply will not protect state intellectual property rules against intrusion by contract. Thus, if state trade secrets law seeks to limit or void contractual provisions, we must look elsewhere for the grounds.
But this is not just a problem for trade secrets law. Common law copyright, idea protection, right of publicity, artists' moral rights, and trademark dilution are all state intellectual property doctrines that contain their own particular set of policy choices. These policies may also be avoided or set at naught by Article 2B's contract regime. n152 Preemption can't address these issues.

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4.

"Contracts Are Different"

A few courts and commentators have taken the position that federal preemption simply shouldn't apply to contract terms - or at least that it shouldn't apply in the same way - because contracts are different than state statutes. n153 The basic argument here (adopted by Article 2B's drafters) is usually that "as both a practical and a conceptual matter, copyright (or patent) do not generally preempt contract law....A contract defines rights between parties to the agreement, while a property right creates rights against all the world. They are not equivalent." n154 Judge Easterbrook's decision in ProCD v. Zeidenberg seems to accept this view, n155 and some courts have taken this logic so far as to conclude that contracts simply can't be preempted by copyright law. n156

There are a number of problems with the "contracts are different" idea. First, the reference to "equivalence" seems to direct the analysis only at copyright field preemption under section 301, and thus to ignore both copyright conflicts preemption and any form of patent preemption. n157 Even if contract and copyright are not equivalent, it simply does not follow that federal law places no limits on the enforceability of contracts. Courts that take this position should also be troubled by the [*148] significant number of cases that do apply intellectual property rules to preempt contracts. n158

Second, the viability of the distinction between private contracts and public legislation is diminishing day by day. One of the main changes Article 2B would make in current law would be to render enforceable contract "terms" to which the parties did not agree in the classic sense, and indeed of which one party may be entirely unaware. n159 Article 2B would also enable the enforcement of such contract terms "downstream" - that is, against whomever later acquires the software - n160 - despite the fact that a first sale under both patent and copyright law would free the purchaser from upstream contractual restrictions. Technology facilitates this change by allowing a vendor to interpose contract terms even in a downstream transaction that would not ordinarily be thought to demonstrate privity between the "contracting" parties. n161 And Congress has just enacted federal legislation that may lock in these contractual terms, making it a crime to alter or remove them. n162

In other words, Article 2B promises to usher in an era of "private legislation," in which parties who are in a position to write contracts can jointly impose uniform terms that no one can escape. n163 Some might think this a good thing; n164 but good or bad, it looks as much like the creation of "rights against the world" as it does an agreement between two private parties. n165 Indeed, since one must necessarily have access to a [*149] work to make any use of it, a contract premised on access could presumably be imposed in every case. If a boatmaker wants to get the same rights the Florida boat hull statute would have provided in Bonito Boats, n166 all she needs to do is affix a copy of the statute to the boat hull itself. Under Article 2B, the statute will become an enforceable contract if the contract provides that use or analysis of the hull constitutes acceptance. n167 Why this should be more palatable to the Court than the statute itself is not clear.

Third, even truly "private" contracts affect third parties who haven't agreed to the contract terms. Many contracts have significant negative externalities. n168 While Tom Bell correctly observes that we don't refuse to enforce all contracts just because they may have effects on others, n169 neither should we ignore these external effects. Various contractual provisions may be held invalid on a variety of public policy
grounds, even under state law. Indeed, Terry Fisher has called such public policy restrictions on contractual freedom "ubiquitous." And with respect to at least some intellectual property contracts, there are strong public policy reasons to limit the freedom to contract.

Even if the difference between contracts and public law proves illusory, one might perhaps substantiate the difference by allowing copyright owners to "opt out" of copyright entirely, relying solely on contractual protection. Tom Bell has argued for this approach. Until recently, copyright owners would probably have found this an unattractive alternative, precisely because there were some types of conduct that copyright could reach but contract could not, and because the remedies for copyright infringement were so much stronger. The proposed expansion of contract in Article 2B to allow it to reach third parties not in privity with the vendor in any meaningful sense, coupled with the ability of vendors to write almost any remedy they wish into the contract, may make those differences disappear. Indeed, the possibility that intellectual property owners can get consequential and punitive damages, injunctive relief, extrajudicial self-help, and technological protection without having to meet any of the substantive requirements of intellectual property law, simply by contracting for it, might prove quite attractive to them.

The very fact that contract law will be augmented by Article 2B to give it the character and power of public legislation suggests that even in an "opt-out" scheme, contracts are not really "different" for preemption purposes. But in fact the problem with Article 2B is worse. Article 2B is not an opt-out statute. Rather, it permits intellectual property owners to pick and choose a combination of copyright and contractual rules and remedies. By adding its contract-enforcement regime to existing federal intellectual property rights, Article 2B distorts the balance that exists with contract alone.

In short, there are a number of problems with assuming that contracts are different than public law. Courts that adopt this approach may be in error. Nonetheless, the fact that some courts labor under this misapprehension further limits the effectiveness of federal preemption law because it inclines those courts to assume that intellectual property preemption doesn't apply to contracts.

FOOTNOTES:

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5. See Whit Diffie, Address at the American Committee for Interoperable Systems Meeting (Feb. 18, 1998). Glynn Lunney has made a similar point. See Glynn Lunney, Protecting Digital Works: Copyright or Contract? (1998) (unpublished manuscript at 3-4, on file with author) ("For preemption to become not only a part of copyright, but in some sense the central part, would require a radical reconception of copyright. We would have to view copyright, not as a means for providing protection, but as a means for limiting the protection permitted.").

Jane Ginsburg has objected to this development, and indeed charged that the entire concept of "user rights" in copyright is loaded and largely undesirable. See Jane C. Ginsburg, Authors and Users in Copyright, 45 J. Copyright Soc'y (USA) 1, 2-3 (1997). Ginsburg makes her argument in part by redefining "user rights" to include only rights to make superseding and not transformative copies. See id. at 3-4. I think that this distinction is unreasonable because it seems both to restrict the concept of "users" of copyrighted works to only the subclass of consumers and to ignore the wholesale elimination of consumer and improver rights that is occurring across the board in copyright today.

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37. Arguably we have reached this point already. Congress recently extended copyright protection from its current term of life plus fifty years to life plus seventy years. See H.R. 604, 105th Cong. (1997). I have
never met anyone who seriously argued that the additional incentive provided by the reward to great-grandchildren in the additional twenty years would actually make the difference in encouraging the creation of any new works.

n38. Lawrence Lessig, Intellectual Property and Code, 11 St. John's J. Legal Comment. 635, 638 (1996); see also Dreyfuss, supra note 4, at 198 ("[A] core premise of federal innovation policy...[is] that information leaks: That is, knowledge flows inevitably into the domain of the public, where innovators can use what others have learned and improve upon what they have done.").

n39. Jane Ginsburg notes that contract "may provide more effective protection than copyright" for some works. Jane C. Ginsburg, Copyright, Common Law, and Sui Generis Protection of Databases in the United States and Abroad, 66 U. Cin. L. Rev. 151, 151 (1997) [hereinafter Ginsburg, Common Law]. She generally views this as a good thing, because she thinks that copyright provides inadequate incentives for protection. See id. at 171. But good or bad, this is still an acknowledgment that contract law changes the existing balance.

Elsewhere, Ginsburg challenges the very idea of a conflict of interests between authors and users. See Ginsburg, supra note 5, at 4 (calling "specious" the definition of the author's interests that holds that they are at odds with the public's). If her point is that authors and consumers should not always be at odds in copyright law, because consumers depend on what authors produce, I agree. But this does not mean that there is no tension between the interests of authors and those of consumers. Surely there is, just as there is tension between labor and management, or between buyers and sellers in any market arrangement. A law favoring management over labor may or may not be in the "public interest," defined in social terms, but it is unlikely to be in labor's interest.

Perhaps Ginsburg's point is that the "public interest" is an amalgam of the interests of everyone in society with a stake in the outcome, and cannot be identified solely by reference to consumers, or even by reference to users more broadly defined. Again, I would agree. But I know of no one who has suggested that the public interest in copyright law should be defined only by reference to consumers. Indeed, the opposite danger seems far greater; in setting copyright policy, Congress today seems inclined to think only of the interests of publishers, and even then, only of current and not future publishers. See, e.g., S. 2037, 105th Cong. (1998). "Agnostics and atheists" may be turning up among copyright lawyers and academics, as Ginsburg suggests, see Ginsburg, supra note 5, at 9, but the property rights priesthood is firmly in control of the lawmaking process.

n40. See Lemley, Shrinkwrap Licenses, supra note 10, at 1264-69 (discussing the tension between particular intellectual property rules and common shrinkwrap license terms).

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n56. 17 U.S.C. 117 (1994); see also Vault Corp. v. Quaid Software Ltd., 847 F.2d 255, 270 (5th Cir. 1988) (holding that section 117 authorized defendant to make a copy that was necessary to analyze and defeat a copyrighted "anticopying" program); Foresight Resources Corp. v. Pfortmiller, 719 F. Supp. 1006, 1009-10 (D. Kan. 1989); John Conley & Vance Brown, Revisiting 117 of the Copyright Act: An Economic Approach, Computer L., Nov. 1990, at 1. The term "owners of a copy," which snuck into section 117 for reasons no one has been able to determine, has caused some courts to focus on whether the user is really an "owner" or a "licensee." See MAI Sys. Corp. v. Peak Computer, Inc., 991 F.2d 511, 519 n.5 (9th Cir. 1993) (finding that section 117 does not apply to software that is licensed, not sold, since the user of such software is not the "owner" of a copy, and concluding that the customer could not hire a third party to install or debug purchased program). But see DSC Communications Corp. v. Pulse Communications Inc., 976 F. Supp. 359, 362 (E.D. Va. 1997) (holding that whether defendant "owns" a copy under section 117 is determined by the economic realities of the transaction, not by whether it is characterized as a "license").
n57. See 17 U.S.C. 107 (1994). "Fair use" is an amorphous concept, so generalizations are difficult. But possible fair use copies of computer programs may include: (1) reverse engineering the work in order to view and use uncopyrighted elements, see infra note 62; (2) copying a program into RAM memory in order to use it; (3) copying part or all of the work for the purpose of instruction in a computer science class; (4) copying part or all of the work for the purpose of academic research; and (5) working copies of portions of electronic or print instruction manuals.


n58. See, e.g., Rick Feinberg, Peculiar Patents at iv (1994) ("No part of this book may be reproduced in any form, except by a newspaper or magazine reviewer who wishes to quote brief passages in connection with a review.").

n59. See, e.g., William W. Fisher III, Reconstructing the Fair Use Doctrine, 101 Harv. L. Rev. 1659, 1687 (1988); Gideon Parchomovsky, Fair Use, Efficiency, and Corrective Justice, 3 Legal Theory 347, 359-60 (1997); cf. Merges, supra note 1, at 1610 (suggesting that as transaction costs disappear, the primary role for fair use will be to privilege certain nonconsensual uses).

Wendy Gordon has suggested that fair use is best conceived as directed at "market failure." See Wendy J. Gordon, Fair Use As Market Failure: A Structural and Economic Analysis of the Betamax Case and Its Predecessors, 82 Colum. L. Rev. 1600 (1982). If market failure is construed broadly enough to encompass situations in which socially efficient licensing does not occur, I agree. See Lemley, Economics of Improvement, supra note 10, at 1077-83. But it seems obvious that fair use must offer users something more than simply the "implied consent" of the copyright owner in circumstances in which it is not worth the cost to bargain over a license. Were that all that the fair use doctrine protected, it would not cover true "nonconsensual" uses. But it does. See, e.g., Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569 (1994) (finding parody protected by fair use).

n60. See Neil Weinstock Netanel, Copyright and a Democratic Civil Society, 106 Yale L.J. 283, 362 (1996) ("The imposition of limits [on copyright] must be seen as a vital and integral part of copyright's structural function.").

n61. Reverse engineering of software - also called "decompilation" - involves working backwards from object code to produce a simulacrum of the original source code. See Andrew Johnson-Laird, Software Reverse Engineering in the Real World, 19 U. Dayton L. Rev. 843 (1994).


n65. See CONTU Report, supra note 64, at 25 ("[A] right to make those changes necessary to enable the use for which [the software] was both sold and purchased should be provided. The conversion of a program from one higher-level language to another to facilitate use would fall within this right.").

n66. See 17 U.S.C. 109(a) (1994). Section 109(b)(1)(A) contains an exception prohibiting the purchasers of computer software from renting that software for profit, but does allow purchasers to sell the copy or give it away. Id. 109(b)(1)(A).
n67. See H.R. 94-1476, 94th Cong. (1976) (providing that the parties may contract around the first sale doctrine in 17 U.S.C. 109(a), but limiting the copyright owner to contract rather than copyright remedies if they do so).

n68. For example, movies rented by a video store commonly provide that they are "licensed for home use only" and not for public performance.


n70. See id. 108.

n71. See generally id. 111, 112, 119 (setting out the provisions of the cable and satellite compulsory licenses).

n72. See id. 113(c) (useful articles), 120 (architectural works).

n73. See id. 116.

n74. See id. 203(a)(3); see also id. 304(c)(3) (providing a similar right for older works).

n75. Id. 203(a)(5), 304(c)(5).

n76. See id. 106A(e)(1).

n77. See id. 101(2).

n78. See id. 205(d).

n79. See id. 204.

n80. Minassian, supra note 20, at 593.

n81. ProCD, Inc. v. Zeidenberg, 86 F.3d 1447 (7th Cir. 1996).


n83. On the limits of common law copyright, see Estate of Hemingway v. Random House, Inc., 244 N.E.2d 250, 255-56 (N.Y. 1968), in which the court held that Ernest Hemingway's oral statements could not be protected by common law copyright.

n84. 412 U.S. 546 (1973).

n85. Id. at 559.

n86. For example, in Saturday Evening Post v. Rumbleseat Press, 86 F.2d 1191 (7th Cir. 1987), Judge Posner held unenforceable an express agreement by a licensee not to challenge the copyrightability of the licensed work.


order to comply with United States treaty obligations to South Korea); see also General Agreement on
Tariffs and Trade, Dec. 15, 1993, art. 39(1) [hereinafter GATT TRIPS] (requiring member nations to provide
minimum levels of trade secret protection); North American Free Trade Agreement art. 1711 (1994) (same).

n88. See Uniform Trade Secrets Act 1 commissioners' cmt. (1985); Restatement of Torts, 757 cmt. f
(1937).

n89. See Uniform Trade Secrets Act 1(4). Whether contract law can provide protection for a trade secret
owner after the secret has been publicly disclosed is a hotly debated question. Compare Warner-Lambert
royalties enforceable even after secret has been disclosed), with Restatement (Third) of Unfair Competition
39 cmt. d; 41, cmt. d (1993) (suggesting that public policy may render agreements purporting to protect
250, 279-80 (S.D. Cal. 1958), aff'd, 283 F.2d 695 (9th Cir. 1960) (same), and Gary Van Zeeland Talent, Inc.
(1979) (finding that a contract obligated the licensee to continue paying royalties on an invention even after
patent application was rejected; but the application may still have been a trade secret).

n90. A "trailer clause" is a contractual provision that requires employees to assign their rights not only in
inventions made during the period of employment, but also for a certain time after the employment ends. See Merges et al., supra note 43, at 99-100.

n91. See, e.g., Comprehensive Techs. Int'l, Inc. v. Software Artisans, Inc., 3 F.3d 730, 737 (4th Cir.
LEXIS 28601, at *1 (4th Cir. Sept. 30, 1993); Reed, Roberts Assoc., Inc. v. Strauman, 353 N.E.2d 590, 677
(N.Y. 1976).

n92. California is most notable here. See Cal. Bus. & Prof. Code 16600 (Deering 1992); Monogram
Indus., Inc. v. SAR Indus., Inc., 143 Cal. Rptr. 714, 718 (Cal. Ct. App. 1976) ("In California with certain
limited exceptions [not relevant here] a contract under which a person is prevented from engaging in a
profession, trade or business is void."). For arguments that California's rule against enforcing noncompetition
agreements has encouraged innovation in Silicon Valley, see Annalee Saxenian, Regional Advantage 128
(1994); Alan Hyde, How Silicon Valley Has Eliminated Trade Secrets (And Why This Is Efficient) (1997)

n93. See Light v. Centel Cellular Co. of Tex., 883 S.W.2d 642, 644-45 (Tex. 1994); cf. Central
Adjustment Bureau, Inc. v. Ingram, 678 S.W.2d 28, 33 (Tenn. 1984) (finding noncompetition agreement
enforceable where continuous long-term employment constituted consideration).

n94. See Merges et al., supra note 43, at 523-30.

n95. The Lanham Act phrases this as an affirmative power - the trademark owner can assign the mark
with accompanying goodwill. See 15 U.S.C. 1060 (1994). But the effect is the same as a prohibition. See 2 J.
Thomas McCarthy, McCarthy on Trademarks and Unfair Competition 18.1 (1997) [hereinafter McCarthy on
Trademarks]; Merges et al., supra note 43, at 698-99 (discussing the assignments in gross rule). It is worth
noting that the rule outside the United States permits assignments in gross, see GATT TRIPS, supra note 87,
at art. 21, and that the rule in the United States has been relaxed somewhat in recent years, see In re Roman
Cleanser Co., 802 F.2d 207, 208-09 (6th Cir. 1986).


n97. See, e.g., American Steel Foundries v. Robertson, Comm'r, 269 U.S. 372, 380 (1926) (discussing
assignment in gross rule); Stanfield v. Osborne Indus., Inc., 52 F.3d 867, 871-72 (10th Cir. 1995) (finding
trademark rights lost due to unsupervised license); Pepsico, Inc. v. Grapette Co., Inc., 416 F.2d 285, 289-90
(8th Cir. 1969) (invalidating assignment in gross).
n98. See U.C.C. 2-703 (1994).


n100. See U.C.C. 2B-104(2) (Draft, Aug. 1, 1998).

n101. See Merges et al., supra note 43, at 297.


n103. Article 2B provides that the parties can contract for specific performance of any obligation, including a personal service obligation, see U.C.C. 2B-711(a)(1) (Draft, Aug. 1, 1998), provided that it will not create an administrative burden for the court, see id. 2B-711, reporter's note 1. That personal service obligations will be enforced if the parties so agree is clear from the plain language of the section, though a reporter's note suggests otherwise. See id. 2B-711, reporter's note 2 ("Specific performance cannot be ordered for a "personal services contract."). More generally, section 2B-703(a) provides that the parties can agree to whatever remedies they like. Id. 2B-703(a). Indeed, the reporter's notes indicate that Article 2B expressly permits cumulative remedies, and that Article 2B "rejects any concept of election of remedies." Id. 2B-701, reporter's note 2.


n105. See Merges, supra note 1, at 1604 ("Courts must not allow a licensor who has bargained into a private liability rule to re impose unilaterally the strong property rule by dint of an all-encompassing termination right."). On the interaction between intellectual property and contract remedies generally, see Maureen A. O'Rourke, Rethinking Remedies at the Intersection of Intellectual Property and Contract: Toward a Unified Body of Law, *82 Iowa L. Rev. 1137* (1997).


n107. Portions of this Section are adapted from Lemley, Shrinkwrap Licenses, supra note 10, at 1270-74.

n108. Strictly speaking, federal law preempts state law, not particular private contracts. However, because private contracts are enforced through state law, federal law can and does preempt the enforcement of contracts in appropriate circumstances. For convenience, I will sometimes refer to this as "preemption of contracts," but the reader should be aware that it is really the state enforcement of a contract that is being preempted.


Stephen Gardbaum has argued that courts and commentators should distinguish between conflict preemption, which he considers a simple matter of applying Article VI of the United States Constitution, and federal "preemption of the field," which he considers illegitimate. See Stephen A. Gardbaum, The Nature of Preemption, *79 Cornell L. Rev. 767, 811* (1994). Courts have distinguished clearly between these two types of preemption but have not been receptive to Gardbaum's argument against field preemption. See, e.g., *English v. General Elec. Co.*, *496 U.S. 72, 77* (1990).
See, e.g., *Guerra*, 479 U.S. at 281 (1987) (stating that preemption occurs where it is "physically impossible" for a party to comply with both statutes); *Florida Lime & Avocado Growers, Inc. v. Paul*, 373 U.S. 132, 143 (1963) (same).

*Guerra*, 479 U.S. at 281 (quoting *Hines v. Davidowitz*, 312 U.S. 52, 66-67 (1941)).

See Dreyfuss, supra note 4, at 238-39 (noting the confusion in federal preemption doctrine).

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110. See, e.g., *Guerra*, 479 U.S. at 281 (1987) (stating that preemption occurs where it is "physically impossible" for a party to comply with both statutes); *Florida Lime & Avocado Growers, Inc. v. Paul*, 373 U.S. 132, 143 (1963) (same).

111. *Guerra*, 479 U.S. at 281 (quoting *Hines v. Davidowitz*, 312 U.S. 52, 66-67 (1941)).

See, e.g., *Guerra*, 479 U.S. at 281 (quoting *Hines v. Davidowitz*, 312 U.S. 52, 66-67 (1941)).

112. See Dreyfuss, supra note 4, at 238-39 (noting the confusion in federal preemption doctrine).

111. *Guerra*, 479 U.S. at 281 (quoting *Hines v. Davidowitz*, 312 U.S. 52, 66-67 (1941)).

112. See Dreyfuss, supra note 4, at 238-39 (noting the confusion in federal preemption doctrine).

111. *Guerra*, 479 U.S. at 281 (quoting *Hines v. Davidowitz*, 312 U.S. 52, 66-67 (1941)).

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123. Id. 301(b)(3).

124. The exception occurs when a work falls within the subject matter of copyright but is refused protection because it does not meet the requirements of copyright. The obvious example is works of authorship that don't meet the threshold standard of "originality." See *ProCD*, Inc. v. *Zeidenberg*, 86 F.3d 1447, 1453-55 (7th Cir. 1996); *Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n*, 805 F.2d 663, 668 (7th Cir. 1986).

125. See H.R. 1476, 94th Cong. 301 (1976). The legislative history of section 301 is a puzzle. See *Architectronics, Inc. v. Control Sys.*, Inc., 935 F. Supp. 425, 440 (S.D.N.Y. 1996) (stating that the legislative history of section 301 "is puzzling and unreliable"); Abrams, supra note 6, at 545 ("Neither Congress nor the Copyright Office seems to have had any conception of what they were doing."). For more detail on the legislative history of 301, see Rice, supra note 7, at 602-04.

126. See, e.g., *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir. 1999); *Rice*, supra note 7, at 604 and cases cited therein; cf. *Acorn Structures v. Swantz*, 846 F.2d 923 (4th Cir. 1988) (suggesting that breach of promise alone is not necessarily an "extra element" for purposes of section 301).

127. See 1 Melville B. Nimmer & David Nimmer, Nimmer on Copyright 1.01[B], at 1-14, 1-15 (1963) [hereinafter Nimmer on Copyright], and cases cited therein.


129. See *ProCD*, 86 F.3d at 1454; *National Car Rental Sys., Inc. v. Computer Assocs. Int'l, Inc.*, 991 F.2d 426, 431 (8th Cir. 1993); *Frontline Test Equip., Inc. v. Greenleaf Software, Inc.*, No. 97-00139-C, 1998 U.S. Dist. LEXIS 8259 (W.D. Va. June 3, 1998); *Expeditors Int'l, Inc. v. Direct Line Cargo Management Servs.*, Inc., 995 F. Supp. 468, 480-81 (D.N.J. 1998); *Architectronics*, 935 F. Supp. at 439. This conclusion certainly seems consistent with the "extra element" cases, if not necessarily with the statutory language itself. See *Ginsburg, Common Law*, supra note 39, at 166. One might argue, though, that for courts that redefine "contract" to include standard terms for which there really is no assent, the "extra element" of agreement of the parties thins to the vanishing point. This is almost certainly true of a case like *Hill v. Gateway 2000, Inc.*, 105 F.3d 1147 (7th Cir. 1997), cert. denied, 118 S. Ct. 47 (1997), in which Judge Easterbrook's analysis effectively read the assent requirement out of contract law entirely. Thus, it would be plausible to argue (contrary to *ProCD*) that while contracts in general are not preempted by section 301, shrinkwrap licenses
ought to be. Cf. Vault Corp. v. Quaid Software Ltd., 847 F.2d 255, 270 (5th Cir. 1988) (preempting a state statute validating particular contractual provisions in shrinkwrap licenses).

It is also somewhat troubling that the rationale of ProCD means that contract terms should never be preempted, since they will always contain the "extra element" of agreement between the parties. But the ProCD court itself was unwilling to follow its reasoning that far. See ProCD, 86 F.3d at 1454 (refusing to hold that contracts could never be preempted by copyright).

n130. As Maureen O'Rourke says,

In addition to statutory preemption, preemption under the Supremacy Clause of the Constitution must be examined. Even if a particular cause of action survives a 301 preemption analysis...it still may be preempted if it "stands as an obstacle to the accomplishment of the full purposes and objectives of Congress."

O'Rourke, supra note 62, at 534; see also Maureen A. O'Rourke, Fencing Cyberspace: Drawing Borders in a Virtual World, 82 Minn. L. Rev. 609, 694 (1998) [hereinafter O'Rourke, Fencing Cyberspace]; Cohen, supra note 11, at 23. For the fundamental statement of Supremacy Clause copyright preemption, see Goldstein v. California, 412 U.S. 546, 559 (1973). In Goldstein, the Court distinguished three types of situations: (1) areas in which federal law mandated protection; (2) areas in which federal law mandated no protection; and (3) areas in which federal law was silent. See id. Only in the last category of cases was state law free to operate:

Where the need for free and unrestricted distribution of a writing is thought to be required by the national interest, the Copyright Clause and the Commerce Clause would allow Congress to eschew all protection. In such cases, a conflict would develop if a State attempted to protect that which Congress intended to be free from restraint or to free that which Congress had protected.

Id. One might perhaps object that the existence of partial field preemption in section 301 necessarily means that state law outside the reach of section 301 is not preempted. Cf. Cipollone v. Liggett Group, Inc., 505 U.S. 504, 517 (1992) (drawing such an inference in another statute). More recently, the Court has wisely rejected Cipollone's interpretive canon, at least as an absolute rule. See Freightliner Corp. v. Myrick, 514 U.S. 280 (1995) (finding that preemption can be based on implied conflicts even in cases in which there is both express partial field preemption and a "savings clause" protecting state law).

A moment's reflection will demonstrate that section 301 cannot be all there is to copyright preemption. Section 301 is an extremely narrow "field preemption" statute; in particular, it would not preempt state laws that run directly counter to the federal statute because they would not be "equivalent" to copyright. For example, suppose California passed a law stating that the copyright laws could not be enforced against any citizen of California. Section 301 would not preempt such a law because it isn't "equivalent" to copyright. But the Supremacy Clause surely would preempt the law because it conflicts with the federal scheme.

n131. See 17 U.S.C. 203(a)(3), (5) (1994); see also id. 304(c)(5) (providing a similar right during the extended term of works created before 1978).


n133. See 17 U.S.C. 113(d) (1994) (providing for one set of rules regarding moral rights if the author consents in writing to alteration, and another if the author does not); see also H.R. 94-1476, 94th Cong. (1976) (providing that the parties may contract around the first sale doctrine in 17 U.S.C. 109(a) (1994), but limiting the copyright owner to contract rather than copyright remedies if they do so). The first sale-contract question appears to be more difficult than the legislative history suggests. In Bobbs-Merrill Co. v. Straus, 210 U.S. 339, 349-51 (1908), the Court held that a publisher could not include terms on a book and thereby
bind subsequent purchasers and resellers to those terms. The Court viewed the question as purely one of construing the Copyright Act, which did not give the copyright owner control over subsequent sales of the book. See id. at 350. The Court expressly reserved the question of whether a contract directly between the copyright owner and the subsequent purchaser would be effective - though the Court clearly did not consider the legend on the book as enough to create such a contract. See id.

Ninety years later, in *Quality King Distributors v. L'Anza Research International, 118 S. Ct. 1125, 1130 (1998)*, the Court held that the copyright first sale doctrine permitted purchasers of a product made in the United States for shipment abroad to reimport it and resell it in the United States. The Court relied on Bobbs-Merrill to reach this result. See id. at 1128-30. But in so doing, it noted "the critical distinction between statutory rights and contract rights." Id. at 1129. While the Court did not elaborate, one might infer that the Court would have permitted a breach of contract action to proceed in these circumstances even though the statute did not support an action for copyright infringement.

n134. 1 Paul Goldstein, Copyright 1:40 (2d ed. 1998).


n138. See *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996) (considering preemption only under section 301). There is simply no arguable justification for the court's refusal even to discuss conflicts preemption in the case before it. The issue was briefed, and because the court enforced the contract, it must necessarily have concluded that enforcement of the contract was not preempted.
In the interest of full disclosure, I should note that I authored an amicus brief in the ProCD case on behalf of the American Committee for Interoperable Systems - on the issue of conflicts preemption, no less. See Brief of Amicus Curiae of American Committee for Interoperable Systems in support of Appellees (visited Oct. 26, 1998) <http://www.complaw.com/lawlibrary/brief.html>. Since I did it pro bono, however, I can be accused at most of sour grapes, not actual bias, in criticizing Judge Easterbrook's decision.

n139. For some efforts at doing so, see Ginsburg, Common Law, supra note 39, at 168-71; Karjala, supra note 7, at 521-25 (distinguishing between commercialized and uncommercialized works); O'Rourke, Copyright Preemption, supra note 9, at 53 (applying a hypothetical fair use inquiry). O'Rourke's other work can be read as generally rejecting preemption even in fair use cases with certain very narrow exceptions. See O'Rourke, Fencing Cyberspace, supra note 62, at 479.

n140. This would arguably encompass National Car Rental Sys., Inc. v. Computer Assoc. Int'l, Inc., 991 F.2d 426, 429-30 (8th Cir. 1993), in which the copyright owner licensed the program only for in-house use). For an argument in favor of a similar distinction, see Covotta & Sergeef, supra note 20, at 50-51.

n141. This encompasses cases such as Vault, 847 F.2d 255 (5th Cir. 1988), and Brulotte, 379 U.S. 29 (1964), in which intellectual property owners unsuccessfully attempted by contract to "opt out" of rights granted by statute to their licensees.

n142. See Paul Heald, Resolving Priority Disputes in Intellectual Property Collateral, 1 J. Intell. Prop. L. 135, 136 (1993) ("The key [to preemption analysis] is not to examine preemption questions in the abstract, but to identify the precise disputes that federal law settles and leave for state law the disputes for which federal law provides no answer.").

n143. As an aside, the reader will note that this phrase is necessarily imprecise. Even determining what contracts are within the "field" of intellectual property is a Herculean task. The field could be as narrow as "licenses of intellectual property rights," a term which is itself open to interpretation but which may not include many shrinkwrap licenses or collateral agreements such as the one in Aronson. Or it may be as broad as to include all contracts relating to ideas, intangibles, or intellectual property, encompassing confidentiality agreements, employment agreements, and numerous contracts for the sale of physical goods. Not incidentally, a similar problem has dogged the scope, or coverage, provisions of Article 2B. See supra note 12; cf. Dreyfuss, supra note 4, at 209-12 (discussing the coverage provisions of Article 2B).

n144. The right of publicity, a state law which grants individuals control over the use of their name or likeness for commercial purposes, is one obvious example of a state law that presents potential conflicts with federal intellectual property policy. See White v. Samsung Elecs. Am., Inc., 989 F.2d 1512 (9th Cir. 1993) (Kozinski, J., dissenting from denial of rehearing en banc) (discussing conflicts between federal law and the right of publicity); Paul J. Heald, Filling Two Gaps in the Restatement (Third) of Unfair Competition: Mixed-Use Trademarks and the Problem with Vanna, 47 S.C. L. Rev. 783, 804-08 (1996). Dilution is another. See Heald, Unfair Competition, supra note 6, at 1413-14, 1436; David S. Welkowitz, Preemption, Extraterritoriality, and the Problem of State Antidilution Laws, 67 Tul. L. Rev. 1, 7-45 (1992).

n145. See Reichman & Franklin, supra note 8, at 28 ("The preemption doctrine tends naturally to paint with a broad brush that validates or invalidates whole classes of contracts."). David Rice notes that preemption challenges "are to be avoided, not tempted." Rice, supra note 7, at 648; see also O'Rourke, supra note 62, at 541 (recommending "a more nuanced analysis that places the Copyright Act within the context of other federal law..."). O'Rourke's specific proposal is to expand the treatment of antitrust law rather than to rely on preemption doctrine. See O'Rourke, supra note 62, at 545. One can question whether antitrust really is more nuanced than copyright policy for this purpose. See, e.g., David McGowan, Free Contracting, Fair Competition, and Draft Article 2B: Some Reflections on Federal Competition Policy, Information Transactions, and "Aggressive Neutrality," 13 Berkeley Tech. L.J. (forthcoming Dec. 1998) (manuscript at 49, on file with author).
n146. See Vault Corp. v. Quaid Software Ltd., 847 F.2d 255, 270 (5th Cir. 1988) (invalidating provisions in a licensing agreement that prohibited decompilation of a computer program and preempts state law that endorsed such provisions).

n147. See infra notes 154-156 and accompanying text.

n148. See supra notes 74-75 and accompanying text.

n149. See 17 U.S.C. 107 (providing a fair use right).


n151. See, e.g., Karjala, supra note 7, at 520; Lemley, Economics of Improvement, supra note 10, at 1042-83; Litman, supra note 4; Rice, supra note 7, at 556-70.

n152. Of particular note here are state artists' moral rights statutes that preclude waiver or transfer of the right. See, e.g., N.Y. Arts & Cult. Aff. Law 14.03 (McKinney 1998); Morseburg v. Balyon, 621 F.2d 972, 978 (9th Cir. 1980) (interpreting the California Resale Royalty Act).


n153. See infra notes 154-156 and accompanying text.


n155. See ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1455 (7th Cir. 1996) ("Whether a particular license is generous or restrictive, a simple two-party contract is not "equivalent to any of the exclusive rights within the general scope of copyright' and therefore may be enforced.") (quoting 17 U.S.C. 301); accord Lattie v. Murdach, 42 U.S.P.Q.2d 1240, 1244 (N.D. Cal. 1997); see also Warlick, supra note 4, at 168-69 (noting but criticizing this approach).

n156. See Architectronics, Inc. v. Control Sys., Inc., 935 F. Supp. 425, 438-41 (S.D.N.Y. 1996). But see Jaccard, supra note 20, at 647. Though sympathetic to this argument, Jaccard notes that the rights conveyed by contract may be "equivalent" to copyright even though contract law has different elements. See id.

The district court in P.C. Films Corp. v. Turner Entertainment Co., 954 F. Supp. 711, 715 (S.D.N.Y. 1997), concluded that an agreement to bind a licensee beyond the expiration of the copyright was enforceable because it was "merely a contract between two private parties." The Second Circuit rejected this approach in dictum, though it concluded it did not need to resolve the issue of whether restrictions on licensees could survive the expiration of copyright. See P.C. Films Corp. v. MGM/UA Home Video Inc., 138 F.3d 453, 458 (2d Cir. 1998) ("We are not convinced that this analysis gives sufficient weight to federal copyright law and the constitutional principle that a grant of copyright rights can be for "limited Times' only.").

n157. As noted above, the decision in ProCD is certainly guilty of this error. See supra note 138 and accompanying text.

n158. See supra note 136 (collecting cases).
n159. See, e.g., U.C.C. 2B-208 (Draft, Aug. 1, 1998); see also Lemley, Shrinkwrap Licenses, supra note 10, at 1262-63 (noting and criticizing this change).

n160. See U.C.C. 2B-507(a)(2) (Draft, Aug. 1, 1998) (providing that transferees take subject to the terms of the license); id. 2B-502(2) (providing that transfers of a license that violate the contractual terms are ineffective). For a discussion of these provisions, see Dreyfuss, supra note 4, at 226-32.

n161. For a discussion of some of these technological developments, see Cohen, supra note 4; Julie E. Cohen, A Right to Read Anonymously: A Closer Look at Copyright Management in Cyberspace, 28 Conn. L. Rev. 981 (1996); Elkin-Koren, Copyright Policy, supra note 11, at 104.


n163. Robert Merges has noted this phenomenon and suggested that shrinkwrap license terms should be preempted when there is sufficient uniformity in the industry that the terms in effect amount to "private legislation" by software vendors. See Merges, supra note 1, at 1612. Merges relies on Professor Kessler's earlier work, which suggests that when contracts of adhesion were standardized throughout an industry, depriving consumers of meaningful choice, freedom of contract had in effect been replaced with private legislation. See Friedrich Kessler, Contracts of Adhesion - Some Thoughts About Freedom of Contract, 45 Colum. L. Rev. 629 (1945); Merges, supra note 1, at 1611-12; see also Elkin-Koren, Contracts in Cyberspace, supra note 11, at 40 (suggesting that uniform contractual terms are of concern even when they do not confer market power); Mark Gimbel, Note, Some Thoughts on the Implications of Trusted Systems for Intellectual Property Law, 50 Stan. L. Rev. 1671, 1683-84 (1998).


n165. See Elkin-Koren, Copyright Policy, supra note 11, at 103-04; O'Rourke, Fencing Cyberspace, supra note 130, at 693 (noting that on-line agreements would bind all comers, and therefore look more like property rights held against the world). Ginsburg acknowledges this point: "In a world of mass-market, click-on licenses, there are few strangers to the contract. The classic distinction between a contract right inter partes and a property right erga omnes dissolves...." Ginsburg, Common Law, supra note 39, at 167.


n168. The most thorough development of this point to date is Cohen, supra note 11. See also Elkin-Koren, Copyright Policy, supra note 11, at 107-13; Lemley, Economics of Improvement, supra note 10, at 1057-58; Lydia Pallas Loren, Redefining the Market Failure Approach to Fair Use in an Era of Copyright Permission Systems, 5 J. Intell. Prop. L. 1, 6 (1997); McGowan, supra note 145. Even some commentators who generally would enforce shrinkwrap licenses are troubled by ProCD's failure to acknowledge these external effects. See O'Rourke, Copyright Preemption, supra note 9, at 83-84; Finkelstein & Wyatt, supra note 20, at 856.

n169. Bell, supra note 11, at 588 n.156 (responding to my argument that contract terms create externalities).

n170. See infra Part III.B.

n171. See William W. Fisher III, Compulsory Terms in Internet-Related Contracts, 73 Chi.-Kent L. Rev. (forthcoming 1998) (listing implied warranties of merchantability, implied warranties of habitability in residential leaseholds, rent control, minimum wage laws, maximum hours legislation, bans on child labor, compulsory terms in insurance policies, manufacturers' strict liability, protection for mortgagees and the occupants of migrant labor camps as examples of legal restrictions on contractual freedom); see also Michael
J. Trebilcock, The Limits of Freedom of Contract 58 (1993) ("The problem of third-party effects from exchange relationships is pervasive and not abberational.").

n172. See infra Part III.B; see also Lemley, Economics of Improvement, supra note 10, at 1057-58 (discussing the externalities imposed by contractual restrictions on potential reusers of a work).

n173. See Bell, supra note 11, at 615-16. Ray Nimmer also suggests that "copyright law will recede in importance," displaced in part by contract. Nimmer, supra note 4, at 1.

n174. See McManis, supra note 14, at 176; Nimmer et al., supra note 8, at 22-23.

n175. See Nimmer et al., supra note 8, at 22-23 ("Although attempts at altering the delicate balance struck by copyright law should fail under the doctrine of preemption,...courts sometimes fail to appreciate the preemptive force of copyright [in contract cases."])