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Abstract

Online contracts proliferate and govern nearly every commercial transaction and most of the ways in which the modern consumer interacts with the world. Issues surrounding "contracting around" the Copyright Act have been simmering for years. In this article, I survey numerous online contracts, and I conclude that these issues have only become more acute: nearly every website and every good or service sold online comes with a contract attached, and virtually every one of those contracts contains a limitation on fair use.

Most courts and many commentators have rejected preemption as the appropriate doctrinal tool for addressing contractual restrictions on fair use. I argue in this article that preemption ought to be employed for two reasons. First, preemption is the only doctrine designed to address the interaction between state law and federal law and policy. Viewing preemption as an interpretive task (which most courts have failed to do), courts ought to be able to apply the express and implied preemption doctrines in a relatively coherent way, and under this approach fair use restrictions in adhesion contracts conflict with important federal copyright policies. Second, preemption in this context is a way of acknowledging and emphasizing the proper institutional structure of copyright policymaking. By permitting copyright owners to contract around fair use, courts have improperly abdicated their fair use policymaking role while at the same time arrogating to themselves policymaking regarding "contracting around" fair use, which is a task that should be placed at Congress' door. Finally, preemption need not be the final word. Instead, preemption may prompt a dialogue between the federal courts and Congress that may result in a more effective resolution of the issues.

RETHINKING CONTRACTUAL RESTRICTIONS ON FAIR USE: PREEMPTION AND THE STRUCTURE OF COPYRIGHT POLICYMAKING

Viva R. Moffat[1]

Introduction

Have you done any of the following in the last week: surfed the web, bought a computer, done online banking, ordered flowers, purchased a plane ticket, downloaded software, or listened to music on iTunes? If so, you have entered into a contract[2] and, chances are, you have agreed not to engage in fair use – that is, use that is deemed fair under the Copyright Act even though it is otherwise infringing – of copyrighted material. For example, if you bought a ticket from united.com, you agreed to download only one copy of your itinerary;[3] if you watched a video on YouTube, you agreed not use any material on the website without YouTube's "prior, express written consent;"[4] if you downloaded software – nearly any software – you agreed not to make any unauthorized copies and agreed not to reverse engineer the program;[5] and if you used Wells Fargo Online to track checks and pay your bills, you agreed to use any content on the website solely for "personal" purposes.[6] Virtually every online contract – referred to as both

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[2] According to the copyright owner, at least, you have entered into a contract. The enforceability of clickwrap and browsewrap contracts is addressed below at notes __-__ and accompanying text. "Clickwrap" agreements are those that require the user to an "I agree" button or box in order to begin using the site, product or service. "Browsewrap" agreements are less obvious to the user, generally appearing under a "Terms of Use" or "Terms and Conditions" link. Browsewrap agreements purport to bind to user by virtue of her use of the website.

[3] www.united.com, "Terms and Conditions," (last visited Feb. 28, 2007). The agreements referenced here, and throughout the article, are on file with the author.

[4] www.youtube.com, "Terms and Conditions," (last visited Feb. 28, 2007).

[5] *See infra* Part ___.

[6] www.wellsfargo.com, "Terms of Use," (last visited ___)

"browsewrap" and "clickwrap" agreements – encountered by consumers contains restrictions similar to those described above. By entering into the modern economy, the workforce, and the contemporary social world, consumers regularly and consistently "agree" not to engage in otherwise fair uses of copyrighted works. In this way, business entities are systematically converting fair uses into breaches of contract and thereby fundamentally altering the copyright balance. And courts are permitting this private re-ordering, abdicating their roles as fair use arbiters.

Current federal copyright law provides that fair use is a defense to a claim of copyright infringement. The Copyright Act codified the common law protection for fair uses of copyrighted works, making explicit the public's right to use not just public domain works but also to make some unauthorized uses of protected works.[7] Many noncommercial, transformative, or educational uses of a work constitute fair uses; in some instances, even commercial uses or identical, complete copies may be considered fair uses. Home viewing of videotaped television shows has been considered a fair use. 2 Live Crew's commercial parody of Roy Orbison's "Pretty Woman" is a fair use. News reporting and political commentary are core fair uses. And a whole variety of educational uses of copyrighted works are deemed fair uses.[8]

While much heralded, fair use is under attack. This pressure comes from the "one-way ratchet"[9] of copyright entitlements – the expanding scope and strength of rights – and from the increasing value of copyrightable works, which provides an ever-greater incentive to control the exploitation of expressive works.[10] Copyright owners have resorted to a variety of methods to restrict the use of copyrighted materials by third parties. One method is to layer protection for a work. Myriad schemes may be employed in this "copyright plus" approach: copyright law *plus* patent law *plus* state law protections *plus* technological protection measures *plus* restrictive contract terms.

This article is primarily concerned with the contract layer of protection and its interaction with the federal copyright scheme.

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[7] 17 U.S.C. § 107. *See infra* Part __.

[8] *See infra* Part ___.

[9] *See e.g.*, Rebecca Tushnet, *Copy This Essay: How Fair Use Doctrine Harms Free Speech and How Copying Services It*, 114 YALE L.J. 535, 543 (December 2004) ("Legally, then, copyright has been a one-way ratchet, covering more works and granting more rights for a longer time.").

[10] *See* Jason Mazzone, *Copyfraud*, 81 N.Y.U. L. REV. 1026, 1038 (June 2006) ("The end result is that copyright law creates an irresistible urge for publishers to claim ownership, however, spurious, in everything.").

Copyright owners increasingly use contract law to enhance and enlarge their rights in their copyrighted material; in particular, owners use adhesion contracts to restrict fair use by inserting provisions that "contract around" fair use by delineating acceptable and unacceptable uses of the material by the consumer ("super-copyright" provisions). Nearly every online transaction, nearly every telephone purchase, and virtually all web browsing results in a purported contract that includes super-copyright provisions.[11]

Contracting around fair use on a widespread basis by the use of online adhesion contracts conflicts with fundamental copyright policies. Many courts and many commentators have addressed this phenomenon, though primarily in the context of software licenses and database agreements. The responses fall roughly into two camps, both of which focus generally on contract law and policy. The "freedom of contract" camp asserts that contracting around copyright is not only acceptable but is affirmatively good.[12] Under this freedom of contract ethos, contracting around allows price discrimination and the efficient use and dissemination of expressive works.[13] The other – and nearly diametrically opposed – response by the "public domain" camp is that permitting copyright owners to dramatically alter the baseline assumptions of the Copyright Act impermissibly broadens the scope of copyright, permits economic considerations to become forefront, reduces the public domain, and squelches – rather than promotes – creativity.[14] But even many of these commentators rely on contract law, on the state law formation, unconscionability, and public policy doctrines, in particular.

To the extent that online and shrinkwrap contracts nearly universally purport to limit the otherwise fair use of copyrighted works, however, the issue is not one of contract law or policy but of copyright policy. Those who recite the "freedom of contract" mantra fail to recognize the ways in which consumer adhesion

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[11] *See infra* Part __.

[12] *See infra* Part __. For simplicity's sake, I use Marueen O'Rourke's terms. *See* Maureen O'Rourke, *Preemption After the* ProCD *Case: A Market-Based Approach*, 12 BERK. TECH. L.J. 53 (1997).

[13] Raymond T. Nimmer, *Issues in Licensing: An Introduction*, 42 HOUS. L. REV. 941, 944 (2005) (concluding that "all agreed restrictions or conditions on use are presumptively enforceable except as cabined in by antitrust, unconscionability, and other limiting contract law doctrines. This far better supports modern information markets and acknowledges the ability of individuals and markets to more effectively tailor transactions to fit actual needs than can legislative or regulatory groups.").

[14] *See id.* at 944 & n. 9 ("Some apparently argue that the range for enforceable conditions should be narrow and limited to the express conditions in the first-sale rules of copyright law, with no other limits permitted.").

contracts create "rights against the world," a task within the exclusive domain of Congress. And those who rely on the state contract law doctrines to police adhesion contracts are barking up the wrong tree: state contract law does not and ought not respond to questions of federal policy.

Instead, preemption is the doctrine that operates to police the boundary between federal copyright law and state contract law. Online adhesion contracts have become ubiquitous, and they nearly uniformly contain super-copyright provisions. Given this fact, the fair use restrictions begin to look like rights against the world and, as such, conflict with or stand as an obstacle to the federal objectives regarding fair use itself, as well as the policies of balance and uniformity in the copyright system. For the most part, in the copyright context courts have refused to preempt the enforcement of state contract law. This failure to preempt has resulted in a disruption of the appropriate copyright policymaking structure. By enforcing super-copyright provisions, courts are essentially permitting private entities to conduct fair use policymaking, which more properly belongs in the hands of the courts. And by toeing the "freedom of contract" line, courts are arrogating to themselves the policy decisions regarding contracting around the Copyright Act, policy decisions that Congress, rather than the courts, ought to be making.

In this article, I argue that courts ought to preempt the enforcement of state law with respect to adhesion contract provisions that restrict fair use because they conflict with important federal objectives and because preemption in this context properly aligns copyright policymaking from a practical and structural perspective. In other words, the tasks of copyright policymaking will be more properly allocated if these contract provisions are preempted. In addition, preemption need not be the final word on the topic. Instead, preemption allocates the burden of overcoming legislative inertia and silence to the groups more likely to be able to succeed in that task: copyright owners.

In Part I, the article describes the variety of ways in which super-copyright clauses are used to restrict the fair use of copyrighted works. I focus here on online contracts, but the argument would extend to nearly all adhesion contracts that "wrap" copyrighted works. Virtually every contract a consumer enters into contains a super-copyright provision that purports to limit otherwise fair uses of the work. This Part of the article is not quantitative; its anecdotal nature will demonstrate the ubiquity and variety of super-copyright clauses in the modern economy. This Part also will discuss the effect of these provisions on consumers,

on the uses likely to be made of copyrighted works, and on the fair use doctrine itself.

Part II of the article describes preemption doctrine, particularly as it has been applied in the copyright and contract context and concludes that a proper analysis should include a discussion of both the express and the implied preemption doctrines. This Part will also explain how each of the strains of preemption doctrine – though not necessarily consistent or consistently applied – focuses on the interpretive question of statutory interpretation and discerning congressional intent. Notwithstanding this focus, many courts, perhaps because of the vagueness of the Copyright Act in some regards, have substituted a purely policy-driven approach in discussing preemption claims in this context. In particular, Judge Easterbrook's opinion in *ProCD v. Zeidenberg*[15] has been very influential – and problematic in some of its conclusions as well as the broad reading many courts have given it.

In Part III of this article I apply the interpretive preemption approach to the question of whether super-copyright provisions present problems for federal copyright policy and conclude that those provisions should be preempted. Although federal copyright law and policy are hardly crystal clear on this issue, the enforcement of super-copyright provisions, to the extent that they operate as rights against the world, stand as an obstacle to at least three federal copyright policies: the policies supporting the fair use provision itself, and the overarching policies of creating and maintaining both balance and uniformity in the copyright scheme.

In Part IV, I suggest some of the reasons why super-copyright provisions have not been preempted: in general, the reliance either on the "freedom of contract" mantra or, on the other hand, on piecemeal state law doctrines has obscured the fundamental copyright policy issues implicated by these contracts. In addition, when the issue is reoriented toward questions of federal copyright policy, preemption becomes a more appealing response for structural reasons: preemption would reposition copyright policymaking in a more institutionally appropriate way, leaving fair use policymaking in the hands of the courts (not private entities) and the "contracting around" policymaking to Congress. Moreover, preempting enforcement of super-copyright provisions would place the burden of overcoming legislative inertia to the parties – copyright owners – more likely to have the incentive and ability to bring the issue before Congress.

[15] 86 F. 3d 1447 (7th Cir. 1996).

Part I – The Proliferation of Standard Form Contracts that Contain Clauses Restricting Fair Use

This article addresses the practice of using adhesion contracts to restrict uses that would otherwise be deemed fair under the Copyright Act. This section summarizes the rough boundaries of the fair use defense and then describes the variety and form of these restrictions on fair use in the online world and the effect of the inclusions of these clauses. Nearly every online purchase, most web browsing, and the vast majority of online services result in a putative contract in which the consumer "agrees" not to engage in certain fair uses.[16] While the precise terms vary somewhat, the trend is unmistakable: business entities seek to obtain through contract more than they can achieve through copyright law. This systemic restriction of fair uses of copyrighted material has significant implications for the substance and the structure of the federal copyright system.

Part I(A) – Fair Use in the Federal Copyright Scheme

The Copyright Act provides relatively broad ownership of a bundle of rights in original, expressive works.[17] The owner of a copyright has control over the copying, distribution, performance, and display of copyrighted material, as well as the right to prepare derivative works based on the original.[18] These rights persist for the life of the author, plus an additional seventy years, or ninety-five years in the case of institutional or anonymous authors.[19] Balanced against this broad grant of specific rights, the statute provides a set of limitations on those exclusive rights,[20] the most

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[16] These contracts are commonly referred to as "clickwrap" and "browsewrap" contracts. In general, clickwrap contracts have been held enforceable. *See, e.g.*, Davidson & Assocs. Jung, 422 F. 3d 630, 638-39 (8th Cir. 2005). *See also* Mark A. Lemley, *Terms of Use*, 91 MINN. L. REV. 459, 459 (December 2006). . Browsewrap contracts – those one is deemed to have agreed to by virtue of browsing a website (and which exist on nearly every website) – have increasingly been held enforceable. *See, e.g.*, Register.com, Inc. v. Verio, Inc., 356 F. 3d 393, 428-30 (2d Cir. 2004); *See also* Lemley, Terms of Use, 91 MINN. L. REV. at 460 ("…an increasing number or courts have enforced "browsewrap" licenses…"). For purposes of this article, the enforceability of these agreements is not a central issue: many of the problems with these online agreements arise regardless of the enforceability. *See infra* Part __.

[17] 17 U.S.C. § 102.

[18] 17 U.S.C. § 106(1)-(6).

[19] 17 U.S.C. § 302(a), (c).

[20] 17 U.S.C. §§ 107-114.

significant of which is the fair use defense to a copyright infringement claim.[21] Section 107 of the Copyright Act sets forth the doctrine of fair use:

> Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include –
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> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
>
> (2) the nature of the copyrighted work;
>
> (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
>
> (4) the effect of the use upon the potential market for or value of the copyrighted work.
>
> The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of the above factors.[22]

The fair use provision performs a variety of socially or economically valuable functions, such as permitting parody and news reporting, allowing broad educational and research uses, and correcting market failures.[23] Under the fair use doctrine, literary

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[21] *See* Michael Carroll, *Fixing Fair Use*, 85 N.C. L. REV. __, *4 (forthcoming 2007) ("When fashioning modern copyright law, Congress recognized that circumstances would arise in which the broad sweep of copyright would be socially undesirable, and it responded by codifying a series of limitations on copyright's scope. Fair use is the first and most general of these limitations.") (citations omitted). *See also*, Matthew Sag, *God in the Machine: A New Structural Analysis of Copyright Law*, 11 MICH. TELECOMM. & TECH. L. REV. 381, 410 (Spring 2005) ("From its inception, the fair use doctrine has facilitated the expansion of copyright by providing a flexible limiting principle that defines the outer limits of the copyright owners' rights.").

[22] 17 U.S.C. § 107.

[23] *See, e.g.*, Lydia Pallas Loren, *Redefining the Market Failure Approach to Fair Use in an Era of Copyright Permission Systems*, 5 J. INTELL. PROP. 1, 5-6 (Fall 1997) ("several scholars have suggested that fair use should be found only where there is market failure. In the context of copyright law the market can fail

critics may quote from the books they review;[24] teachers and researchers may use copyrighted materials;[25] writers and comedians may parody well-known songs and tv shows;[26] programmers may reverse engineer software to make new programs interoperable with existing software;[27] news reporting may be conducted without fear of copyright litigation;[28] and

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for several reasons: high transaction cost associated with achieving a bargained –for [exchange], high externalities that cannot be internalized in a bargain exchange, or the existence of non-monetizable interest that are not factored into the bargain by the parties").

[24] The literary critic is perhaps the prototypical "fair user" of a copyrighted work, and is often the example given in explaining the fair use exception. *See, e.g.*, William F. Patry & Richard A. Posner, *Fair Use and Statutory Reform in the Wake of* Eldred, 92 CAL. L. REV. 1639, 1659 (Dec. 2004) (" . . . the fair use defense is interpreted and applied on a case-by-case basis, though some rules have emerged, as we have seen, such as the right of a book reviewer to quote brief passages from the book under review, or of scholarly critics to quote from the work they are criticizing."); Rebecca Tushnet, *supra* note __, at 544 ("If every unauthorized use of copyrighted works were infringement, many socially valuable activities would be impaired. For example, a book review would be unable to quote the book in question without permission, and permission could be withheld without a favorable review, a large payment, or both. As one way to solve this problem, courts developed the doctrine of fair use, codified in the 1976 Copyright Act.")

[25] 17 U.S.C. § 107 ("teaching" is one of the examples of a fair use given in § 107). *See also* Eldred v. Ashcroft, 537 U.S. 186, 190 (2003) ("the 'fair use' defense codified at § 107 allows the public to use not only facts and ideas contained in a copyrighted work, but also expression itself for limited purposes. 'Fair use' thereby affords considerable latitude for scholarship and comment . . .")

[26] *See, e.g., Campbell v. Acuff-Rose Music, Inc.* 510 U.S. 569 (1994) (holding that 2 Live Crew's version of Roy Orbison's "Pretty Woman" was a parody and therefore not copyright infringement under the Copyright Act).

[27] *See* Philip J. Weiser, *The Internet, Innovation, and Intellectual Property Policy*, 103 COLUM. L. REV. 534, 548 (April 2003) (under some circumstances, reverse engineering "serves the purpose of facilitating interoperability between a platform and a complementary product" and in those cases "the courts have condoned such copying."). *See also* Jacqueline Lipton, *IP's Problem Child: Shifting the Paradigms for Software Protection*, 58 HASTINGS L.J. 205, 207 & n.5 ("The fair use defense in particular mitigates against overbroad use of software copyrights to stifle competition in relevant markets."), *citing* Sega Enter. Ltd. v. Accolade, Inc., 977 F.2d 1510, 1514 (9th Cir. 1993) (holding that decompilation of a computer program, involving copying of the program, in order to produce a compatible, non-infringing program is a fair use). *See also* Mark Lemley, *Beyond Preemption: The Law and Policy of Intellectual Property Licensing*, 87 CAL. L. REV. 111, 129 (hereafter, "*Beyond Preemption*") (". . . 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.").

[28] News reporting is one of the enumerated "fair" uses 17 U.S.C. §107. Of course, this does not mean that all news reporting is conducted without fear of

consumers may record movies and tv shows for later viewing,[29] among other things.

The fair use defense has been the subject of much litigation[30] and academic commentary,[31] perhaps because of its fundamental lack of clarity. As Matthew Sag notes, "[a]lmost every comment on the subject notes that fair use is 'one of the most troublesome [doctrines] in the whole law of copyright.'"[32] The difficulty arises from several aspects of the way fair use has been incorporated into the federal copyright scheme. Fair use is only a defense to a copyright infringement action, not an affirmative claim.[33] Consumers, critics, musicians, and users of all sorts cannot be certain in advance that their uses of others' works will be deemed "fair."[34] Instead, potential fair users must proceed with their use and hope either that the copyright owner does not file an infringement claim or that she (the user) can prevail on the defense (a risky and expensive gamble). In addition, there is no "safe harbor" or other *a priori* acceptable fair use;[35] instead, claims of fair use are decided on an *ex post*, case-by-case basis. This unpredictability has been widely criticized as not providing

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litigation, but the exception is fairly well-established.

[29] *See, e.g.*, Sony Corporation of America v. Universal City Studios, Inc., 464 U.S. 417 (1984).

[30] *See, e.g., id.* at 423-24 (home video taping and "time-shifting"); Campbell v. Acuff-Rose, 510 U.S. 569, 578-581 (1994) (parody); A & M Records, Inc. v. Napster, 239 F.3d 1004, 1014-18 (sampling, space-shifting, authorized uses).

[31] *See, e.g.*, Neil Weinstock Netanal, *Copyright and a Democratic Civil Society*, 106 YALE L.J. 283 (1996); 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); Glynn S. Lunney, Jr., *Fair Use and Market Failure:* Sony *Revisited*, 82 B.U. L. REV. 975 (2002); William W. Fisher III, *Reconstructing the Fair Use Doctrine*, 101 HARV. L. REV. 1659 (1988); Michael J. Madison, *A Pattern-Oriented Approach to Fair Use*, 45 WM. & MARY L. REV. 1525 (2004); Lloyd L. Weinreb, *Fair's Fair: A Comment on the Fair Use Doctrine*, 103 HARV. L. REV. 1137 (1990); Carroll, *supra* note ___; Sag, *supra* note __.

[32] Sag, *supra* note ___, at 385, *quoting* Dellar v. Samuel Goldwyn, Inc., 104 F.2d 661 (2d Cir. 1939).

[33] 17 U.S.C. § 107 ("Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work . . . is not an infringement of copyright.").

[34] Caroll, *supra* note___, at *4 ("While the doctrine's attention to context has many salutary attributes, it is so case-specific that it offers precious little guidance about its scope to artists, educators, journalists, Internet speakers, and other[s] who require use of another's copyrighted expression in order to communicate effectively.").

[35] There have been some proposals for a "fair use arbitration board," *see* Carroll, *supra* note___, at *3, and for a safe harbor for fair use, similar to the safe harbor of the Securities Act, *see* Tessa Pope, student paper, *A Fair Use Safe Harbor* (paper on file with the author).

sufficient certainty (and therefore chilling fair uses),[36] but the flexibility of the doctrine is also considered one of its strengths.[37] The fair use doctrine transfers significant policymaking authority to the courts, permitting more flexibility than a legislative response would allow and establishing a system more responsive to technological change.[38] In any event, fair use is an integral – if maddening – element of the federal copyright system.[39]

Though the doctrine is both flexible and unpredictable, some generalizations can be made about the types of uses that are often deemed fair. As a general matter, the fair use doctrine provides that certain uses are fair in the absence of authorization by (and even over the objections of) the copyright owner.[40] Not all unauthorized uses are fair, of course, but a whole variety of "personal" uses most likely would be deemed fair under the balancing test set forth in section 107: copies for back-up or home use,[41] sharing, or linking,[42] for example, particularly if these uses are not deemed commercial and do not affect the market for the original.[43] Even a variety of commercial uses may be considered fair: excerpts used in the course of news reporting, citations and quotations for the purposes of criticism and review, significant

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[36] *See* Carroll, *supra* note __, at nn. 25-29 and accompanying text ("The treatise writers are in accord that the fair use doctrine produces significant *ex ante* uncertainty."). Carroll describes some of these chilling effects: "The costs of fair use uncertainty are manifest. Potential fair uses routinely are deterred from engaging in a desired use by the uncertain scope of the fair use doctrine coupled with the high costs of litigation and the potentially enormous statutory damages that a court could award if it disagrees with the user's fair use judgment. *Id.* at *10. Nimmer has described this doctrine as no better than a "dartboard" for courts. David Nimmer, *"Fairest of Them All" and Other Fairy Tales of Fair Use*, 66 LAW & CONTEMP. PROBS. 263, 280 (Winter/Spring 2003).

[37] *See, e.g.,* Campbell v. Acuff-Rose, 510 U.S. at 577 ("The fair use doctrine thus 'permits [and requires] courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.'") (citations omitted).

[38] Sag, *supra* note__, at 396 ("Fair use is the mechanism by which Congress transferred significant policymaking power to judges in order to allow copyright to adapt to ongoing social and technological change more effectively than a purely legislative response would allow.").

[39] *See id.*, at 382 ("Fair use plays a vital but misunderstood role in copyright law."); Judge Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1110 (1990) (fair use is a "necessary part of the overall design" of copyright law).

[40] Campbell v. Acuff-Rose, 510 U.S. at 585 n. 18 ("If the use is otherwise fair, then no permission need be sought nor granted. Thus, being deemed permission does not weigh against a funding of fair use.").

[41] *Sony v. Universal,* 464 U.S. at 423.

[42] *See, e.g.,* Litman

[43] Sony, 464 U.S. 417.

copying for parody or – perhaps – other speech-related purposes.[44] This is an inherently incomplete list, as the statute provides an open-ended vision of fair use, and the doctrine is clearly meant to evolve as consumer preferences and behavior, technology, and business models change over time.[45]

Part I(B) – Adhesion Contracts that Limit Fair Use.

Technology and business models have changed significantly in the last twenty years or so. One of the changes involves a vast increase in the number of standard form contracts into which consumers enter into every day and the manner in which consumers encounter those contracts; another change is the extent of business conducted online. Instead of finding standard form contracts only in conjunction with the purchase of big ticket items, nearly every product and service comes with a contract attached and many of those contracts are in electronic form: "clickwrap" or "browsewrap" contracts. In the course of a typical day or week, the modern consumer regularly encounters – and allegedly enters into – contracts of adhesion. These contracts generally favor the drafting party in a variety of respects.[46] Notably, nearly all of these contracts limit the consumer's right to make fair use of copyrighted works.[47]

If our prototypical consumer merely views the Orbitz

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[44] *See, e.g.,* Campbell v. Acuff-Rose, 510 U.S. at 584 (The language of the statute makes clear that the commercial or non profit educational purpose of a work is only one element of the first factor enquiry into its purpose and character.") ; Tushnet, *supra* note__, at __.

[45] *See* Sag, *supra* note ___, at 397 ("In 1976, Congress decided to alter the structure of copyright law to make it more responsive to technological change. Congress replaced potentially limited and technologically specific rights with rights that were more broadly expressed, in order to allow copyright law to be more flexible in its treatment of new technologies.").

[46] These contracts typically contain a variety of restrictions on the uses of copyrighted works. Many include restrictions on the first sale doctrine. 17 U.S.C. § 109 ("Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord."). Many of the contracts also would constitute "copyfraud" as defined by Jason Mazzone, restricting uses of uncopyrightable and public domain materials. *See* Jason Mazzone, *Copyfraud*, 81 N.Y.U. L. REV. at 1049 ("Copyfraud . . . refers to claiming falsely a copyright in a public domain work. . . . False assertions of copyright are everywhere.").

[47] This trend is not limited to online contracts. Mazzone, *supra* note__, at 1049 ("By leveraging the vagueness of these doctrines, publishers regularly interfere with *de minimis* copying and fair uses of copyrighted works. Books published nowadays carry copyright notices that suggest de minimis copying and fair use are nonexistent.").

website, for example, she is deemed to have entered into a contract.[48] And in that contract the consumer agrees not to use the content of the website in a variety of ways that could be fair uses under the Copyright Act.[49] The agreement provides that the user of the website may not make more than one copy of the content, may not transmit any of the content, and may not use a "frame or border to enclose any part of the Site," among other things.[50] So I have made two copies for my files, I have transmitted the material via email to a reader and to my research assistant, and I have included content in a footnote, which might be deemed a "frame or border."[51] Each of these uses likely would be deemed fair under section 107 of the Copyright Act. Orbitz may, however, decide that each of these uses is a breach of contract.

If Orbitz objects to my activities, it is likely to send a cease-and-desist letter threatening me with claims for breach of contract and copyright infringement.[52] While the copyright infringement claim might not be particularly strong, I am likely to be dissuaded from pursuing any defenses I may have – including fair use – because of the risk of incurring copyright's statutory damages and the cost of litigation.[53] Orbitz may prefer the statutory damages, but the contract claim provides additional leverage, and I – like most other consumers – am unlikely to put up

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[48] http://www.orbitz.com/, "Terms & Conditions" (last visited March 2, 2007) ("Access to and use of these websites is subject to acceptance of the terms and conditions below ("Terms"), which include our Privacy Policy . By accessing, using or obtaining any content, products, or services through these websites, you agree to be bound by these terms. If you do not accept all of these terms, then please do not use these websites.")

[49] *Id.* ("No Copy, Distribution, or Sale. You may download, display, or print one (1) copy of any portion of the Content. If you do so, you may not modify the Content in any way, and you must reproduce the Orbitz copyright notice (or the Provider's notice as applicable) in the form:. . .Except as provided above, you may not Copy, reproduce, upload, post, display, republish, distribute, transmit, any part of the Content in any form whatsoever; Use a frame or border environment around the Site, or other framing technique to enclose any portion or aspect of the Site, or mirror or replicate any portion of the Site; Modify, translate into any language or computer language, or create derivative works from, any Content or any part of this Site; Reverse engineer any part of this Site; or Sell, offer for sale, transfer, or license any portion of the Site in any form to any third parties.).

[50] *Id.*

[51] *Id.*

[52] *See, e.g.*, www.chillingeffects.org (last visited March 2, 2007) (collecting cease and desist letters sent by copyright owners).

[53] 17 U.S.C. § 504(a) & (c) ("the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action . . .").

a fight.

Contracts like this proliferate in the modern world. Much of the attention – in the courts and in the literature – has focused on software licenses,[54] but super-copyright provisions appear in connection with nearly every product or service purchased online or over the phone, and on almost every website.[55] One of the most common limitations is a provision that the contents or material may be used only for "personal" or "noncommercial" purposes. While it is certainly true that many "fair" uses are personal or noncommercial, there are also a whole variety of nonpersonal or commercial uses that would be considered fair uses: parody, news reporting, and educational uses come to mind. Thus, the generic and ubiquitous limitation to personal and noncommercial uses constitutes a significant restriction on the scope of fair use as defined under the statute and elaborated on in the case law.

This section includes some representative examples of super-copyright clauses. While this is an anecdotal rather than exhaustive sample, significant and interesting trends are obvious. With few exceptions, the contracts consumers encounter on a regular basis restrict fair uses in significant ways. Within industries, the language of the contracts is strikingly similar and sometimes identical, indicating that – in many areas – there is no market for fair use restrictions; one cannot reject one retailer over another with respect to those terms. There is, however, no absolute uniformity: to determine what uses are acceptable, one would have to look at the language of each contract to be certain.

Fair use restrictions appear everywhere, and one of the most surprising areas is online news and information sites. If you get your daily news from the Internet, you agree to numerous restrictions on the fair use of the content you encounter on those websites, something that is particularly alarming given the fact-based nature of much of the content and the free speech concerns attendant to the reporting and dissemination of news and current events.

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[54] Most software licenses contain a provision prohibiting reverse engineering. Reverse engineering, under some circumstances – for interoperability purposes, often – is fair use. This language – or nearly identical language – appears in virtually all software agreements. The language in Yahoo's agreement is typical: "YOU MAY NOT and will not allow any third party to: copy, decompile, reverse engineer, reverse assemble, disassemble, modify, rent, lease, loan, distribute, or create derivative works (as defined by the U.S. Copyright Act) or improvements (as defined by U.S. patent law) from the Software, or any portion thereof, or otherwise attempt to discover any source code or protocols . . .").

[55] All of the agreements cited herein are on file with the author.

Contractual Restrictions on Fair Use

If you visit the CNN website, for example, you agree to limit your fair use of the materials you encounter on the site in a variety of ways. Some of the restrictions include the following:

- "Subscriber may not modify, publish, transmit, participate in the transfer or sale, create derivative works, or in any way exploit, any of the content, in whole or in part."[56]
- "Subscriber may download copyrighted material for Subscriber's personal use only."[57]
- "Except as otherwise expressly permitted under copyright law, no copying, redistribution, retransmission, publication or commercial exploitation of downloaded material will be permitted without the express permission of CNN and the copyright owner. In the event of any permitted copying, redistribution or publication of copyrighted material, no changes in or deletion of author attribution, trademark legend or copyright notice shall be made. Subscriber acknowledges that it does not acquire any ownership rights by downloading copyrighted material."[58]

Many online news providers employ browsewrap agreements with similar terms.[59]

Other online information providers also include similar terms in their agreements, a circumstance that, as discussed above, is disturbing from a First Amendment perspective. Encyclopedia.com, a provider of (hopefully) purely factual material, strictly limits the uses that might be made of the

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[56] CNN Interactive Service Agreement, http://www.cnn.com/interactive_legal.html (last visited January 15, 2007)

[57] *Id.*

[58] *Id.* Note that this provision purports to respect uses "expressly permitted by copyright law," but also appears to conflict with the other provisions of the agreement. It is also far from clear what uses are *expressly permitted* by copyright law. Is fair use a use "expressly permitted" or is news reporting, for example, not even one of the uses "expressly permitted."? What if I want to parody, for commercial purposes, CNN's coverage of the Iraq war – is that "expressly permitted" by copyright law? Certain commercial parodies have been deemed fair use, *see* Campbell v. Acuff-Rose, but it is difficult to conclude that parody as a general matter is "expressly permitted by copyright law."

[59] *See, e.g.*, The Associated Press Terms, http://www.ap.org/pages/about/terms.html ("Associated Press text, photos, graphics, audio and/or video materials shall not directly or indirectly be published, rewritten for broadcast or publication or redistributed in any medium. Neither these AP materials nor any portion thereof may be stored in a computer except for personal and non-commercial use.") (last visited March 4, 2007).

information found on its website. All sorts of uses that might otherwise be fair are prohibited by the agreement:

- "You may search, retrieve, display, download, and print content from the Services solely for your personal [sic]."[60]
- "You shall make no other use of the content without the express written permission of HighBeam Research." [61]
- "You will not modify, publish, distribute, transmit, participate in the transfer or sale, translate, create derivative works, or in any way exploit other than as set forth herein, any of the content, tools or technology, in whole or in part, found on the Services."[62]
- "You shall not make any changes to any content that you are permitted to download under this Agreement, and in particular you will not delete or alter any proprietary rights or attribution notices in any content."[63]
- "You also will not 'frame' any of the content, tools or technology on the Services or the Services themselves without the express written permission of HighBeam Research."[64]

Other online information providers similarly attempt to restrict uses.[65]

Wikipedia, the open source and open access encyclopedia, is one of the few exceptions to this otherwise overwhelming trend.[66] An open source and open access site, Wikipedia encourages copying, sharing, and modification of its content and employs the open source license, indicating that it supports the modification and use of the material on the site:

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[60] http://www.encyclopedia.com/terms.aspx, "Terms and Conditions," (last visited March 4, 2007).
[61] *Id*.
[62] *Id*.
[63] *Id*.
[64] *Id*.
[65] *See, e.g.*, Britannica Usage Agreement, http://corporate.britannica.com/termsofuse.html ("You may display, print or download content on the Services only for your personal, non-commercial use, provided you do not remove or alter any copyright, trademark, service mark or other proprietary notices or legends. You may not publish, distribute, retransmit, sell or provide access to the content on the Services, except as permitted under applicable law and as described in these Terms of Use." And: "If you want to post, publish, or use content from (or contained within) the Services on your Web site or in any other Internet activity, you will need permission from Britannica, even though your Web site or Internet activity is free of charge.").
[66] http://www.wikipedia.org/ ; see also creative Commons, Web 2.0

> The purpose of this License is to make a manual, textbook, or other functional and useful document 'free' in the sense of freedom: to assure everyone the effective freedom to copy and redistribute it, with or without modifying it, either commercially or noncommercially. Secondarily, this License preserves for the author and publisher a way to get credit for their work, while not being considered responsible for modifications made by others.[67]

The open source movement, although significant in many ways, remains the minority trend in information licensing.[68] The openness of Wikipedia and similar sites is far outweighed by the multitude of information providers seeking to restrict the uses of their materials.

In a whole variety of less weighty circumstances, consumers agree to strikingly similar contractual restrictions on their fair use of copyrighted materials. For example, if you buy books online, you subject yourself to a variety of restrictions on fair use. If you use Amazon – which millions of people do – the use you may make of material on the site is quite limited. By using the site, you agree to the following terms, among others:

- "Amazon.com grants you a limited license to access and make personal use of this site and not to download (other than page caching) or modify it, or any portion of it, except with express written consent of Amazon.com."[69]
- "This site or any portion of this site may not be reproduced, duplicated, copied, sold, resold, visited, or otherwise exploited for any commercial purpose without express written consent of Amazon.com."[70]
- "You may not frame or utilize framing techniques to enclose any trademark, logo, or other proprietary information (including images, text, page layout, or form) of Amazon.com and our affiliates without express written consent."[71]

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[67] *Id. at* http://en.wikipedia.org/wiki/Wikipedia:Text_of_the_GNU_Free_Documentation_License

[68] *See supra* Part I.

[69] Amazon.com "Terms of Use," http://amazon.com/gp/help/customer/display.html/105-6362795-4786036?ie=UTF8&nodeId=508088 (last visited January 15, 2007).

[70] *Id.*

[71] *Id.*

● "You may not use any Amazon.com logo or other proprietary graphic or trademark as part of the link without express written permission. "[72]

Other online booksellers include similar restrictions in their agreements.[73] All of these involve contractual restrictions on uses that might otherwise be deemed fair: copying, modifying, discussing, criticizing, and parodying.

On a slightly less serious note, if you are a sports fan, you also may be quite limited in the fair uses you can make of a variety of copyrighted materials.

● If you use the National Football League's website or "services" you agree[74] to limit your fair use of the material on the website. The restrictions include the following provisions: (1) "Under applicable copyright laws, you are prohibited from copying, reproducing, modifying, distributing, displaying, performing or transmitting any of the contents of the Service for any purposes;"[75] and (2) "Any reproduction, copying, or redistribution for commercial purposes of any materials or design elements of the Service is strictly prohibited, without the prior written consent of the NFL PARTNERS."[76]

● Baseball fans who use the Colorado Rockies' website[77] agree to the following: "Except for downloading one copy of the Materials on any single computer for your personal, non-commercial home use, you must not reproduce, prepare derivative works based upon, distribute, perform or display the Materials without first obtaining the written permission of MLBAM. Materials must not be used in any unauthorized manner."[78]

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[72] *Id.*

[73] *See, e.g.*, Barnes & Noble.com Terms of Use, http://www.barnesandnoble.com/include/terms_of_use.asp?z=y ("Barnes & Noble.com grants the User a limited, nonexclusive, revocable license to access and make personal, non-commercial use (unless User has a business relationship with Barnes & Noble.com) of the Barnes & Noble.com Site.") and ("The foregoing licenses do not include any rights to: modify, download (other than page caching), reproduce, copy . . .") (last visited January 15, 2007).

[74] http://www.nfl.com/help/terms ("Your use of the Service constitutes your acceptance of the Agreement.") (last visited January 15, 2007).

[75] *Id.* (Many of these restrictions also might constitute "copyfraud" – improper assertions of rights. *See* Mazzone, *Copyfraud*, *supra* note __. For example, "reproducing" "any of the Materials" "for any purpose" is not necessarily a violation of the Copyright Act.)

[76] *Id.*

[77] http://colorado.rockies.mlb.com/ (last visited January 15, 2007).

[78] Colorado Rockies Website Terms of Use Agreement,

- Basketball fans are similarly limited: "No Basketball Content from the Site may be reproduced, republished, uploaded, posted, transmitted, reproduced, distributed, copied, publicly displayed or otherwise used except as provided in these Terms of Use without the written permission of NBAMV."[79]
- Hockey fans, too. The Philadelphia Flyers Website Terms of Use Agreement includes the following provision: "Except for downloading one copy of the Materials on any single computer for your personal, non-commercial home use, you must not reproduce, prepare derivative works based upon, distribute, perform or display the Materials without Wachovia obtaining the written permission of CSLP."[80]

And if you buy flowers or gifts or clothes online – guess what? You have agreed to refrain from fair uses of copyrighted materials.[81] If you buy tickets online: limited fair use.[82] When you

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http://colorado.rockies.mlb.com/NASApp/mlb/col/help/col_help_about_terms.jsp (last visited January 15, 2007).

[79] NBA.com Terms of Use, http://www.nba.com/news/termsofuse.html ("The Terms of Use agreement also provides that The Operator maintains this Site for your personal entertainment, information, education, and communication. Please feel free to browse the Site. You may download material displayed on the Site to any single computer only for your personal, noncommercial use, provided you also maintain all copyright and other proprietary notices contained on the materials. You may not, however, distribute, reproduce, republish, display, modify, transmit, reuse, repost, or use any materials of the Site for public or commercial purposes on any other Web site or otherwise without the written permission of the Operator. Modification of any materials displayed on the Site is a violation of the Operator's copyright and other proprietary rights.") (last visited January 15, 2007).

[80] http://www.philadelphiaflyers.com/terms/terms.asp (last visited January 15, 2007).

[81] See, e.g., 1800Flowers.com Terms of Use, www.1800Flowers.com ("You may not modify, remove, delete, augment, add to, publish, transmit, participate in the transfer or sale of, create derivative works from, or in any way exploit any of the Content, in whole or in part. If no specific restrictions are displayed, you may use the content only for your personal non-commercial use and make copies of select portions of the Content, provided that the copies are made only for your personal use and that you maintain any notices contained in the Content, such as all copyright notices, trademark legends, or other proprietary rights notices.") (last visited January 15, 2007).

[82] *See, e.g.*, Tickets.com Website Terms of Use, http://www.tickets.com/aboutus/user_agreement.html ("You will not download or copy any content displayed on this website for purposes other than preserving information for your personal use, without the written permission of the Company." And: "You may not modify, publish, transmit, participate in the transfer or sale, create derivative works, or in any way exploit, any of the content, in whole or in part. If you are a consumer, you may download copyrighted material for your personal use only. Except as otherwise expressly

watch or post a video on YouTube, you agree[83] not to "copy or distribute any part of the Website in any medium without YouTube's prior written authorization."[84] That is, the website that relies for its business model on the copying and distribution of the copyrighted material of thousands, if not millions, of people, expects you to refrain from copying or distributing *any* part of it for *any* reason.

The list could go on and on and would include contracts put forth by entities as diverse as Microsoft and Netscape, United Airlines and Dell Computer, Wells Fargo Bank and Westlaw.[85] Other than a few Creative Commons and open source agreements, I encountered not a single agreement that gave users *more* rights than those that would otherwise accrue under the Copyright Act, and very, very few that appeared to leave the scope of fair use of the material intact.

This is neither an quantitative study nor an exhaustive list, but it is anecdotally compelling. Many of these examples are mundane and, individually at least, quite minor, but it is the very minor and mundane character that makes it easier to insert such terms into agreements without protest. Although these terms might rarely be enforced (for now, at least), their consistent inclusion and

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permitted under copyright law, no copying, redistribution, retransmission, publication or commercial exploitation of downloaded material will be permitted without the written permission of the Company (and the copyright owner if other than the Company.") (last visited January 15, 2007).

[83] http://www.youtube.com/t/terms ("BY USING AND/OR VISITING THIS WEBSITE (collectively, including all Content available through the YouTube.com domain name, the "YouTube Website", or "Website"), YOU SIGNIFY YOUR ASSENT TO BOTH THESE TERMS AND CONDITIONS (the "Terms of Service") AND THE TERMS AND CONDITIONS OF YOUTUBE'S PRIVACY NOTICE, WHICH ARE PUBLISHED AT http://www.youtube.com/t/privacy, AND WHICH ARE INCORPORATED HEREIN BY REFERENCE. If you do not agree to any of these terms, then please do not use the YouTube Website.") (last visited January 15, 2007).

[84] *See id.* ("YouTube hereby grants you permission to use the Website as set forth in this Terms of Service, provided that: (i) your use of the Website as permitted is solely for your personal, noncommercial use; (ii) you will not copy or distribute any part of the Website in any medium without YouTube's prior written authorization . . ." And: "Content on the Website is provided to you AS IS for your information and personal use only and may not be used, copied, reproduced, distributed, transmitted, broadcast, displayed, sold, licensed, or otherwise exploited for any other purposes whatsoever without the prior written consent of the respective owners. YouTube reserves all rights not expressly granted in and to the Website and the Content. You agree to not engage in the use, copying, or distribution of any of the Content other than expressly permitted herein, including any use, copying, or distribution of User Submissions of third parties obtained through the Website for any commercial purposes.").

[85] Agreements on file with the author.

their consistent (but not uniform) language indicates that the lawyers or website developers who are including these terms seek to reserve their rights to bring breach of contract actions (or to send cease-and-desist letters), possibly coupled with copyright infringement claims seeking copyright's statutory damages.[86]

Part I(C) – The Effects of Super-Copyright Clauses

It is perhaps not surprising that all of these agreements trend the same way – toward more protection for rights' owners. It is only logical to try to control the use of one's "property,"[87] and digital copying has made it increasingly difficult to exert that control. Copyright owners are, often justifiably, concerned about digital copying destroying the value of their expressive works, and the layering approach – copyright *plus* contract *plus* technological protection measures *plus* other legal protections – is a belt-and-suspenders method of increasing control. The super-copyright clauses present in nearly all consumer adhesion contracts is part of this approach, and it may also be the result of risk-averse lawyering and the copying (ironically?) of others' boilerplate language.

In this section, I speculate as to the intent of the copyright owners including these clauses and draw some conclusions about the effects of such contract provisions. Freedom of contract is not the only principle implicated by the proliferation of these contracts.[88] Rather, there are significant negative externalities

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[86] 17 U.S.C. § 504 ("(1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $750 or more than $30,000 as the court considers just. (2) In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $150,000. . . ").

[87] I do not intend here to engage the question of whether intellectual property is property, though others have addressed this issue. *See, e.g.*, Stephen L. Carter, *Does It Matter Whether Intellectual Property is Property?*, 68 CHI-K. L. REV 715 (1993);

[88] Along with many others, I am both skeptical of contracts of adhesion (and more so as the level of constructive assent decreases) and appreciative of the efficiency effects of such contracts. *See, e.g.*, Randy Barnett, *Consenting to Form Contracts*, 71 FORD. L. REV. 627, 639 (2002-2003) ("Ever since Friedrich Kessler dubbed them 'contracts of adhesion,' form contracts have been under a scholarly cloud. " . . . most contracts professors and practitioners also know that form contracts make the world go round.") (*quoting* Friedrick Kessler, *Contracts of Adhesion – Some Thoughts About Freedom of Contract*, 43 COLUM. L. REV.

associated with the restriction of fair uses in standard form contracts: the chilling effects of what are, in essence, *in terrorem* clauses, resulting in less fair use and ultimately less creation, less speech, and less "Progress;"[89] the potential narrowing of the doctrine of fair use itself; a shift in fair use policymaking from Congress and the courts to business entities, resulting in fewer fair use decisions and thus reduced flexibility in the law; and, finally, the *de facto* creation of rights against the world as the provisions operate nearly universally, control all access to the works, and are consistently one-sided.

Part I(C)(1) – Intent

Discerning the intent of the drafters of super-copyright clauses is difficult, but it is difficult to imagine that the provisions are not intended to restrict fair uses. The restrictions on the use of expressive materials are ubiquitous and consistently favor owners over users. Presumably, the goal is to reduce the use of the content of the websites and to chill both fair and unfair uses by threatening legal action if the contract terms are not followed. Content owners might claim that the purpose of the clauses is to protect against significant commercial exploitation – widespread use and distribution, or web crawlers, for example – but the language of the contracts does not reflect this narrower concern. Instead, the language is broad and far-reaching.

One website contains a humorous – and telling – provision. By downloading the Alchemy Mindworks software, you agree to the following provision:

> Should you fail to register any of the evaluation software available through our web pages and continue to use it, be advised that a leather-winged demon of the night will tear itself, shrieking blood and fury, from the endless caverns of the nether world, hurl itself into the darkness with a thirst for blood on its slavering fangs and search the very threads of time for the throbbing of your heartbeat. Just thought you'd want to know that. Alchemy Mindworks accepts no responsibility for any loss, damage or expense caused by leather-winged

629 (1943)). Like Barnett, I contend that contracts of adhesion should generally be enforced but that there is justification for policing their terms more closely. *See* Barnett, *supra* at 627 (" . . . form contracts can be seen as entirely legitimate – though some form terms may properly be subject to judicial scrutiny that would be inappropriate with nonform agreements.").

[89] U.S. Const., Art. I, sec 8, cl. 8.

demons of the night, either.[90]

It is difficult to imagine that this provision is enforceable – what exactly, would the remedy be? But its humor indicates some general notions about these kinds of agreements: copyright owners seek to protect their works to the maximum extent possible, consumers neither shop nor negotiate for these terms, and these terms are pervasive.

The language of the contracts also indicates the development of a vague industry standard. The wording is so similar in many agreements that it appears that many entities copy language from others or use the same form agreement. In addition, the language reflects risk-averse behavior by the entities drafting and promulgating these contracts. The vast majority of the fair (and unfair) uses in which consumers might engage are unlikely to negatively affect the commercial entities' bottom line. It is hard to imagine, for example, that my copying a story from CNN's website for use in my trademark class – which is likely, although not necessarily, a fair use – will result in any loss, much less a cognizable loss, to CNN. Similarly, my parody of Fox News' coverage of the Iraq war might, conceivably, affect Fox's bottom line, but probably not, and that sort of use is clearly within the core protection of the fair use doctrine (not to mention the First Amendment).[91] Mainly, the inclusion of super-copyright clauses appears to be motivated by the concern that *any* use by *anyone* is potentially problematic and therefore should be prohibited or discouraged.

Finally, there is little disincentive to the inclusion of super-copyright provisions in a standard form contract because few will challenge the provisions. This is a way for copyright owners to "reserve their rights," in a way, to bring a contract claim along with a copyright claim if the use of the work is deemed harmful, to the bottom line or to the company's image.[92]

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[90] http://www.mindworkshop.com/alchemy/alchemy6.html (last visited Feb. 28, 2007)

[91] See Eldred v. Ashcroft, 537 U.S. 186, 219 (2003) (holding that "copyright law contains built-in First Amendment accommodations").

[92] *Cf.* Mazzone, *supra* note ___, at 1038 ("The end result is that copyright law creates an irresistible urge for publishers to claim ownership, however spurious, in everything. . . . Like a for-sale sign attached to the Brooklyn Bridge, the upside to attaching a false copyright notice is potentially huge – some naïve soul might actually pay up. The only downside is that the false copyright notice will be ignored when savvy individuals understand the legal rules and call the publisher's bluff.").

Part I(C)(2) – Effect

Although direct evidence of the effect of the widespread implementation of super-copyright provisions is difficult to come by, some conclusions can be drawn. The inclusion of fair use restrictions in nearly every adhesion contract in the online world is likely to reduce the number and type of fair uses made by consumers because of the chilling effect of the provisions. In addition, the scope of the fair use doctrine itself might change by becoming more restricted in scope. Also, the number of fair use determinations by courts is likely to diminish: if fewer people are working at the edges of fair use, there will be fewer lawsuits commenced and therefore less fair use case law by the courts. Finally, widespread restrictions on fair use operate much like "rights against the world," looking much more like private legislation than like private ordering.

Chilling Fair Use. Much of the literature on adhesion contracts posits that very few people read, much less understand, form contracts, and this is certainly supported by common sense.[93] If the provisions are read, many (although certainly not all) readers are likely to limit their use of the material at issue at least to the extent indicated in the agreement. Some users might assume that their activity would not be detected or pursued by the copyright owner, but it seems safe to assume that many would be deterred by the language of the agreements. If readers – the few readers who act as proxies for the rest of us[94] – reduce their use of copyrighted materials because of the contract terms (and the rest of us follow

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[93] Todd Rakoff pinpointed this issue – and described its rationality – in his seminal work on form contracts. Todd Rakoff, *Contracts of Adhesion: An Essay in Reconstruction*, 96 Harv. L. Rev. 1174, 1226 (1983) ("Once form documents are seen in the context of shopping (rather than bargaining) behavior, it is clear that the near-universal failure of adherents to read and understand the documents they sign cannot be dismissed as mere laziness. In the circumstances, the rational course is to focus on the few terms that are generally well publicized and of immediate concern, and to ignore the rest."). One EULA drafter apparently went so far to offer $1,000.00 to the first reader of the EULA who sent an email to a particular address. It took four months before someone claimed the money. *See* http://www.techdirt.com/articles/20050223/1745244_F.shtml ("Apparently in an attempt to prove that no one reads end user license agreements (EULAs), anti-spyware firm PC Pitstop buried a note in its own EULA, saying they would give $1,000 to the first person who emailed them at a certain address. It only took four months and over 3,000 downloads before someone noticed it and sent an email (and got the $1,000).").

[94] Clayton P. Gillette, *Rolling Contracts as an Agency Problem*, 2004 WISC. L. REV. 679, 691 ("Much of the legal literature on [standard form contracts] . . .has dealt with the conditions under which the presence of reading buyers can serve as a proxy for non-reading buyers.").

suit eventually), the result will be less fair use, which means less speech, less creativity and, presumably, less "Progress."[95]

Assuming the terms are read, it is hard to imagine that most consumers would have the knowledge or incentive to search for, much less negotiate about, the fair use-restricting terms. Consumers may search for price terms, and for type and quality of service or product, but on an individual basis it would rarely be rational to bargain over super-copyright clauses.[96] Even if not read, many consumers likely assume that the terms of the agreements that they encounter are favorable to the copyright owner and not favorable to the consumer, and they are likely to restrict their activities accordingly, similarly deterred. And even if the contracts are not enforceable, if they are read they are likely to have *in terrorem* effects. In any event, the result over time will be an overall reduction in the fair uses engaged in by individuals, as it is inconceivable that consumers will engage in more uses fair or unfair, commercial or personal as super-copyright provisions multiply and proliferate.

This chilling effect is part of the "clearance culture" described by Lawrence Lessig and others.[97] Rather than risking

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[95] U.S. Const. Art. I, sec. 8, cl. 8. On the chilling effects of both valid and invalid assertions of copyright rights, *see* Mazzone, *supra* note___. It is not just copyright holders' rights, but the rights of the public – in the public domain, in fair use, and in the compulsory licensing scheme, for example, that provide incentives and opportunities for the creation and dissemination of creative and expressive works.

[96] There is a great deal of debate about the extent to which consumers read and shop for the terms of standard form contracts. For an overview of the scope of that debate, *see* Clayton P. Gillette, *Pre-Approved Contracts for Internet Commerce*, 42 HOUS. L. REV. 975, 975-982 and accompanying notes. Business entities might well be more likely to include terms favorable to them and unfavorable to consumers if they believe consumers will not read or bargain over those terms. *See id.* at 978 ("Buyers may ignore terms that are not salient, that pose minimal risks, or about which they have insufficient information, and it is plausible that sellers could systematically capture quasi-rents with respect to those terms. Where potential losses to any given consumer are small, the likelihood of either reputational or legal redress may be so remote that sellers essentially face little downside risk from efforts to exploit.").

[97] *See* Lawrence Lessig, FREE CULTURE (2004). *See also* Patricia Aufderheide & Peter Jaszi, Untold Stories: Creative Consequences of the Rights Clearance Culture for Documentary Filmmakers (2004), (insert web address). *See also* Mazzone, *supra* note__, at 1030 (" . . . publishers and owners also restrict copying and extract payment from individuals who do not know better or find it preferable not to risk a lawsuit. These circumstances have produced fraud on an untold scale, with millions of works in the public domain deemed copyrighted and countless dollars paid out every year in licensing fees to make copies that could be made for free. Imprecise standards governing de minimis copying and fair use exacerbate copyfraud by deterring even limited reproduction of works

litigation, consumers and users of copyrighted works seek permission and pay for the right to use works. Super-copyright clauses reinforce the notion that all or nearly all uses of expressive works must be authorized. In his article concerning false assertions of copyright in public domain works, Jason Mazzone describes some of the effects of "copyfraud."[98] Mazzone discusses the ways in which copyfraud "undermines copyright's purpose" when "publishers leverage copyright law to expand the monopoly beyond that granted to authors in the name of creativity."[99] The effects of super-copyright provisions are likely to be similar. For example, professors now often seek permission and pay licensing fees for all the materials included in course reading packets, "even when copying a public domain work or making a fair use of copyrighted materials."[100] Another example is the clearance required for the inclusion of material in documentary films. Neither the filmmakers nor the producers and insurers feel comfortable relying on the fair use doctrine or the public domain status of the materials: the costs of litigation are simply too high. Filmmakers therefore either limit their expression accordingly, or pay to use every piece of third party material.[101]

Narrowing the Doctrine. In addition to contributing to the change in fair use norms, the widespread bargaining away of the right to make fair use of copyrighted materials may also ultimately affect the scope and substance of the fair use defense itself. As James Gibson has described, there is a feedback loop that occurs between licensing practices and the types of uses deemed fair under section 107. [102] "[The] practice of unneeded licensing feeds back into doctrine through one final uncontroversial premise: the fair use defense looks to the existence *vel non* of a licensing market when defining the reach of the copyright entitlement."[103] In essence, the more often people pay to engage in certain kinds of uses – that is, the more there is a licensing market for certain uses – the less "fair" the unauthorized use will be. Contractual

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marked as copyrighted.").

[98] Mazzone, *supra* note___, at 1059-1063.

[99] *Id.* at 1059-60.

[100] *Id.* at 1061.

[101] *Id.* at 1068 ("In addition to finding themselves generally unable to rely upon fair use of copyrighted works, filmmakers can find it hard to use public domain works. . . . A popular guide for independent filmmakers written by three entertainment lawyers advises against using any kind of prior footage because of an inherent 'clearance nightmare.'").

[102] James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 117 YALE L.J. ___ (forthcoming 2007).

[103] *Id*. at 4.

restrictions on fair use are likely to function in this way. As consumers exchange their fair use rights for a price reduction (presumably the copyright holders would ask for something in return for the right to engage in the full spectrum of fair uses), the more likely a court is to find a market for those (otherwise fair) uses. Thus, over time, the proliferation of super-copyright provisions will actually cause a "doctrinal creep" in which the scope of the fair use defense narrows because of this widespread industry practice.[104]

Abandoning Fair Use Policymaking. The widespread use of super-copyright clauses also might limit the ability of the law, and of the fair use doctrine in particular, to adapt to changing technologies, business models, and consumer preferences and behavior. To the extent that fair use is intended to provide flexibility in the copyright scheme,[105] the automatic contracting around the doctrine means that there will be less experimentation with potential uses and ultimately fewer legal decisions concerning fair use. With the fair use provision, Congress delegated substantial policymaking authority over fair use to the courts. By routinely enforcing super-copyright provisions, courts abdicate this policymaking responsibility, leaving it in the hands of private entities. When this happens, courts will not participate in the development of the doctrine, except, perhaps, to limit the scope of fair use based on the existence of a licensing market. Thus, the development of the law of fair use will be stunted and will fail to adapt to changing conditions.

Creating Rights Against the World. Finally, because super-copyright provisions have become so ubiquitous and because their terms are so consistently one-sided, the contract provisions look less like private ordering that affects only the rights of the parties

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[104] This argument might, in fact, go farther than I take it in this paper. If restrictions on fair use in adhesion contracts produce doctrinal feedback effects that ultimately limit the scope of the fair use defense, the same is likely to be true for negotiated contracts: the more extensive the licensing market for certain uses, the less likely those uses are to be found fair. I acknowledge this, but do not here advocate that *all* fair use restrictions be preempted. In the context of negotiated contracts, notions of real – rather than constructive – assent and freedom of contract principles weigh much more heavily in the balance. In addition, adhesion contracts operate differently than negotiated contracts in that they create "rights against the world". Finally, as practical matter courts are much less likely to preempt the enforcement of negotiated contracts. See *e.g.*, Aronson v. Quick Point Pencil Co., 440 U.S. 257, 266 (1979) (refusing to preempt enforcement of a contract that was "freely undertaken in arm's-length negotiation…").

[105] Sag, *supra* note ____, at 401, 404.

to the contract and more like "private legislation."[106] On some occasions, courts have held that contracts do not conflict with the Copyright Act because they do not constitute "exclusive rights." Super-copyright provisions operate much like exclusive rights, however. The private legislation consists of a limitation or narrowing of the fair use doctrine itself as the terms – applied to everyone who looks at CNN's website, for example – become, in essence, rights against the world. When particular works are available only under the terms of a browsewrap or clickwrap or shrinkwrap agreement, and where assent to that agreement is constructive at best, the prohibition on fair use becomes a "right against the world." It is extremely difficult to locate this kind of agreement in the neoclassical model of private ordering, as there is no one who is a "stranger to the contract."[107] It is as rights against the world that fair use restrictions operate to conflict with copyright policy. Federal intellectual property law has developed as a system for creating rights against the world and to the extent that private actors (with the help of state law) act to create new and stronger exclusive rights, federal objectives and policies are implicated.

Part II: Preemption Doctrine

The ubiquitous fair use restrictions in consumer adhesion contracts raise serious issues about the appropriate boundary between state and federal law, and preemption doctrine is designed to address precisely such issues. Preemption is hardly a simple doctrine to apply; there are various strains of preemption doctrine, and the analysis varies dramatically based on the subject matter. Some conclusions can be drawn, however, about the basic approach to express and implied preemption in general and about intellectual property preemption in particular.

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[106] *See* Julie Cohen, Lochner *in Cyberspace: The New Economic Orthodoxy of "Rights Management,"* 97 MICH. L. REV. 462, 485 n. 79 (1998) (arguing that a market dominated by transactions accomplished through adhesion contracts "may or may not function efficiently as compared with other possible regimes, but it does not function according to the pure neoclassical model, and its constituent transactions cannot plausibly be described as fundamentally private."). *See also* Niva Elkin-Koren, *Copyright Policy and the Limits of Freedom of Contract*, 12 Berk. Tech. L.J. 93, 106 (1997) (arguing that "a very low standard of assent makes contract provisions essentially equivalent to copyright protection . . .").

[107] ProCD, 86 F. 3d. at 1454 ("A copyright is a right against the world. Contracts, by contrast, generally affect only their parties; strangers may do as they please, so contracts do not create "exclusive rights.").

Under any version of preemption doctrine, the fundamental issue with which the courts must grapple is the question of congressional intent.[108] That is, the court must engage in the interpretive task of determining the content of federal law and policy in order to determine whether the operation of state law presents a conflict. In thinking about the proper relationship between federal copyright law and state contract law, many courts have failed to focus on this interpretive task, substituting pure policymaking concerning for an effort to determine legislative intent. Other courts have merely mechanically applied precedent – "contracts are not preempted by the Copyright Act" – to arrive at the same conclusion. In either event, by upholding contractual restrictions on fair use, courts have in essence abandoned their role in fair use policymaking. At the same time, the courts have engaged in pure policymaking regarding contracting around the Copyright Act, and that policymaking more properly belongs to Congress. I discuss these structural and public choice issues below in Part IV.

This section describes the various strains of preemption doctrine and discusses the ways in which each of those strains has been applied to the enforcement of state contract law. As a general matter, courts rarely hold that federal statutes preempt the operation of state contract law. Indeed, contractual restrictions on otherwise valid copyright rights or defenses have generally been upheld over preemption challenges. This approach has been misguided, however, to the extent that courts have failed to engage in the interpretive preemption task.

Part II(A) – Express Preemption: Section 301 of the Copyright Act

The Copyright Act contains an express preemption provision, and that provides a logical – if ultimately unsatisfying – starting point. Section 301 of the Copyright Act provides that state laws that purport to protect the same subject matter as the Copyright Act are preempted.[109] In particular, section 301 states

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[108] *See* California Federal Sav. and Loan Ass'n v. Guerra, 479 U.S. 272, 280 (1987) ("In determining whether a state statute is pre-empted by federal law and therefore invalid under the Supremacy Clause of the Constitution, our sole task is to ascertain the intent of Congress.").

[109] The relevant portion of the express preemption provision reads as follows: "(a) On and after January 1, 1978, all 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, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no

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 this title."[110] The first step in applying any statute is to read the language and attempt to glean congressional intent from that language (and perhaps from the legislative history, depending on one's approach to statutory interpretation).[111] This express preemption provision is, however, hardly a model of clarity; the Supreme Court has never addressed it, and the lower federal courts have struggled to understand its language and formulate a test for its application.[112] At least one commentator has concluded that, "[o]verall, Section 301 is a legislative disaster."[113]

Courts have developed a variety of tests for applying the statute. The Ninth Circuit employs a two-part test that closely tracks the language of the statute.[114] First, the court will "determine whether the 'subject matter' of the state law claim falls within the subject matter of copyright as described" in the Copyright Act.[115] Then, if the subject matter of the state law does fall within the federal subject matter, the court will "determine whether the rights asserted under state law are equivalent to the rights contained in section 106, which articulates the exclusive rights of copyright holders."[116] This is fine as far as it goes, but does not help in determining when a state right is "equivalent" to

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person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State. (b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to — (1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, including works of authorship not fixed in any tangible medium of expression; or (2) any cause of action arising from undertakings commenced before January 1, 1978; (3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106; or(4) State and local landmarks, historic preservation, zoning, or building codes, relating to architectural works protected under section 102(a)(8)." 17 U.S.C. §301.

[110] *Id.*

[111] As Justice Frankfurter famously admonished, the three principles of statutory construction are (1) read the statute; (2) read the statute; (3) read the statute!" Henry J. Friendly, *Mr. Justice Frankfurter and the Reading of Statutes, in, Benchmarks* 196, 202 (1967).

[112] *See generally*, Jennifer Rothman, Copyright Preemption and the Right of Publicity, 36 U.C. DAVIS L. REV. 199, 228-30 (explaining some of the difficulties of interpretation and application of § 301).

[113] *Id.* at 236.

[114] Laws v. Sony Music Entertainment, Inc., 448 F.3d 1134, 1137 (9th Cir. 2006)

[115] *Id.*

[116] *Id.* at 1138 (citations omitted).

any of the rights in section 106 of the Copyright Act.[117]

In an effort to better define what it means for a state right to be "equivalent" to a federal copyright right, many courts have not tracked the language of the statute so precisely.[118] In the most common formulation, the court will ask whether the state law, or enforcement thereof, requires an "extra element" that is not required for proof of copyright infringement under the federal act.[119] If the state cause of action requires this extra element, the law is not preempted. Other tests are, essentially, variations on the "extra element" theme. Applying section 301, some courts also have asked whether the state law claim at issue is "qualitatively different from copyright infringement."[120] Another formulation states that "the [Copyright] Act 'preempts only those state law rights that may be abridged by an act which, in and of itself, would infringe one of the exclusive rights provided by federal copyright law.'"[121]

This variety of formulations – and the variety of results – reflects the ambiguity of the statutory language. Rights might be deemed equivalent only if they are identical, but they might also be equivalent if they have substantially the same effect. In addition, the provision cannot be read in a way that it is consistent with its stated purposes: it would be quite easy for a state to evade preemption under section 301 by adding an element to a claim that was clearly intended to be preempted. For example, from the legislative history, it is clear that Congress intended to preempt common law copyright claims, but those state claims may contain

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[117] Rothman, *supra* note ___, at 227 ("Section 301, however, does not define what it means for a state action to be 'equivalent' to one of these rights.").

[118] Lemley, *Beyond Preemption, supra* note___, at 140 (". . . courts seemed to have created a nonstatutory safe harbor under section 301 for state laws adding an 'extra element' not explicitly present in the copyright laws.").

[119] *See, e.g.*, Bowers v. Baystate, 320 F.3d 1317, 1324 (Fed. Cir. 2003) ("The First Circuit does not interpret this language [of Section 301] to require preemption as long as 'a state cause of action requires an extra element, beyond mere copying, preparation of derivative works, performance, distribution or display.'"), *quoting* Data Gen. Corp. v. Grunman Sys. Support Group Corp., 36 F.3d 1147, 1164 (1st Cir. 1994); *see also* Gates Rubber Co. v. Bando Chem. Indus., 9 F.3d 823, 847 (same); Computer Assoc. Int'l, Inc. v. Altai, Inc., 982 F.2d 693, 716 (2d Cir. 1992) (same); Summit Mach., 7 F.3d 1434 (9th Cir. __); Nat'l Car Rental, 991 F.2d 426 (8th Cir. ___.) *See also* Rothman, *supra* note ___, at 228 n.120 (collecting cases and stating that "[m]ost courts have adopted the 'extra element' test.").

[120] *See, e.g.*, Bowers v. Baystate, 320 F.3d 1317, 1325 (Fed. Cir. 2003), *citing* ProCD v. Zeidenberg, 86 F.3d at 1454.

[121] Lipscher v. LRP Publications, Inc., 266 F.3d 1305, 1311 (11th Cir. 2001), *quoting* Foley v. Luster, 249 F.3d 1281, 1285 (11th Cir. 2001) (quoting *Computer Assoc. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 716 (2d Cir. 1992)).

an "extra element" that would preclude preemption under section 301.[122]

Ultimately, the interpretation and application of an express preemption provision ought to rely upon some understanding of congressional intent.[123] But neither the statute nor the legislative history provides guidance as to whether and when the enforcement of state contract law ought to be preempted. "Thus, courts are left with little useful guidance in applying the equivalent rights language of Section 301."[124] The most that can be said regarding the express preemption of state contract law is that Congress certainly did not intend to preempt all contracts concerning copyrighted works and that it left open the possibility that some contracts or contract terms might be preempted.[125]

In general, courts have refused to preempt state contract law under the express preemption provision. In examining state contract law through the lens of section 301, most courts have found that "assent" or agreement constitutes the "extra element" that precludes preemption under the express provision.[126] The courts have not categorically excluded the possibility of

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[122] *See* Rothman, *supra* note ___, at 229 (explaining the internal conflicts and inconsistencies of § 301).

[123] [can I cite to a law review article here?]

[124] Rothman, *supra* note ____, at 231 ("Even though neither of the currently accepted interpretations of equivalent rights are convincing, no legal theorist or court has presented an alternative. Unfortunately, the legislative history of Section 301 does not shed any light on the meaning of the equivalent rights language.")

[125] *See* Cohen, *supra* note ___, at 485 ("Although Congress's exact intent regarding section 301's effect on contract rights is uncertain, it seems clear that Congress did not intend to the Copyright Act to displace state contract law generally. It seems equally certain, however, that Congress did not intend to allow the states to establish alternative, universally-applicable regimes of property-like protection for works falling within the subject matter of copyright.").

[126] *See, e.g.*, Wrench, LLC v. Taco Bell Corp., 256 F.3d 446, 456 (6th Cir. 2001) ("An extra element is required instead of or in addition to the acts of reproduction, performance, distribution or display, in order to constitute the state-created cause of action. The extra element is the promise to pay. This extra element does change the nature of the action so that it is qualitatively different from a copyright infringement claim. The qualitative difference includes the requirement of proof of an enforceable promise and a breach thereof which requires, *inter alia*, proof of mutual assent and consideration, as well as proof of the value of the work and appellee's use thereof."); Lemley, *supra* note ___, at 140 ("Contracts have such an 'extra element' – the agreement of the parties. Consequently, some courts have held that contract that limit the user's rights in the purchased copy of the work (for example, by allowing only certain uses of a copyrighted program) are not preempted by section 301."); *see also* Nimmer, §1.01[B][1][a].

preemption of contractual provisions,[127] but few have held such provisions to be preempted under section 301.[128]

In the most significant decision regarding the application of section 301 to "contracting around" the Copyright Act, the Seventh Circuit, in *ProCD v. Zeidenberg*,[129] held that section 301 did not preempt a contractual restriction on the first sale doctrine.[130] Virtually all decisions since then addressing contracting around the Copyright Act have cited *ProCD*, often with no analysis or discussion, for the general proposition that section 301 does not preempt state contract law.[131]

ProCD involved the sale of CD-ROM telephone directory to Matthew Zeidenberg.[132] The CD contained directory information compiled from over 3,000 telephone directories. A software application for searching the database was included, as was a "shrinkwrap" agreement. One provision of the agreement limited "use of the application program and listings to non-commercial purposes."[133] The "noncommercial use" limitation is a restriction on both the fair use doctrine and on the first sale doctrine, which allows the owner of an authorized copy of a copyrighted work to dispose of that particular copy in any way she likes.[134] Zeidenberg bought the CD-ROM package, but proceeded to use the listings (which were not protected by copyright law) for commercial purposes: he made the listings available on the Internet, for substantially less than ProCD's list price. ProCD sued Zeidenberg for breach of contract.

As part of his defense, Zeidenberg argued that the Copyright Act preempted the shrinkwrap contract. The Seventh

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[127] *See* ProCD v. Zeidenberg, 86 F.3d at 1455 ("we think it prudent to refrain from adopting a rule that anything with the label 'contract' is necessarily outside the preemption clause: the variations and possibilities are too numerous to foresee. *National Car Rental* likewise recognizes the possibility that some applications of the law of contract could interfere with the attainment of national objectives and therefore come within the domain of § 301(a). But general enforcement of shrinkwrap licenses of the kind before us does not create such interference.")

[128] *But see* Vault v. Quaid, 847 F.2d 255, 269-70 (5th Cir. 1988) (holding that a Louisiana statute permitting the prohibition of copying by contract was preempted by the Copyright Act).

[129] 86 F.3d 1447 (7th Cir. 1996).

[130] 17 U.S.C. § 109(a) (the owner of a copy of a copyrighted work "is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy…")

[131] *See, e.g.,* Bowers v. Baystate Technologies, inc., 320 F. 3d 1317, 1324-25 (Fed. Cir. 2003).

[132] Pro CD, 86 F.3d. at 1448-49.

[133] *Id.* at 1450.

[134] 17 U.S.C. §109(a)

Circuit rejected this argument. The court applied section 301 and asked whether rights created by contract are "equivalent to any of the exclusive rights within the general scope of copyright?"[135] and concluded that they were not. The court asserted that rights equivalent to copyright rights are those established "by law," rather than by a party to a contract. According to the court, copyright law creates rights against the world; "[c]ontracts, by contrast, generally affect only their parties; strangers may do as they please, so contracts do not create 'exclusive rights.'"[136] Thus, the court held that ProCD's contract was not preempted, stating that "[t]erms and conditions offered by contract reflect private ordering, essential to the efficient functioning of markets."[137] In fact, much of the opinion is devoted to a discussion of the appeal – in efficiency and practicality terms – of shrinkwrap contracts. The opinion begins, for example, with the virtues of price discrimination – ProCD charged one price for "personal use" and a much higher price for those wishing to make commercial use of the product.[138]

Ultimately, it is difficult to escape the conclusion that the *ProCD* opinion relies on a policy-driven view of the appropriate relationship between contract and copyright rather than on an interpretive approach to the preemption question.[139] This is not to say that the Seventh Circuit's normative view is incorrect, or that *as a policy matter* this is the wrong conclusion – as a policy matter, price discrimination has much to recommend it. Rather, I suggest that this analysis is not based upon the language or legislative history of the statute.[140]

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[135] ProCD, 86 F.3d at 1454.

[136] *Id.* at 1454.

[137] *Id.* at 1455.

[138] *See id.* at 1449-1450 ("If ProCD has to recover all of its costs and make a profit by charging a single price – that is, if it could not charge more to commercial users than to the general public – it would have to raise the price substantially over 150. The ensuing reduction in sales would harm consumer who value the information at, say, $200. They get consumer surplus of $50 under the current arrangement but would cease to buy if the price rose substantially. If because of high elasticity of demand in the consumer segment of the market the only way to make a profit turned out to be a price attractive to commercial users alone, then all consumers would lose out – and so would the commercial clients, who would have to pay more for the listings because ProCD could not obtain any contribution toward costs from the consumer market. To make price discrimination work, however, the seller must be able to control arbitrage.").

[139] *See* Cohen, *supra* note__, at 487 (The court in Pro CD "interpreted [the extra element] test in a way that indicates its support for a regime based primarily on market ordering.")

[140] Much of the academic debate, more appropriately, focuses on the policy arguments. *See* Cohen, *supra* note___, at 487-90 (discussing the various

ProCD, although much maligned by many academics,[141] has been extremely influential. The vast majority of cases concerning section 301 preemption of contract terms cite *ProCD*, and many of them cite it as controlling.[142] In following *ProCD*, many courts (either implicitly or explicitly) perpetuate the policy-driven approach taken by Judge Easterbrook. Many courts merely cite the proposition that contracts, in general, are not preempted under section 301.[143]

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approaches to "contracting around" the copyright act and concluding that the 'cybereconomists' insistence that the market is the better forum for achieving copyright goals rests on no former basis than the *Lochner* Courts instinctive distrust of attempts to alter the existing balance of bargaining power.").

[141] *See, e.g.*, Lemley, *Terms of Use*, *supra* note__, at 468 ("The courts legal reasoning is certainly questionable.") and *see id.* at n. 33 ("*ProCD* can also fairly be criticized for refreshing even to discuss the issue of supremacy clause preemption, an issue briefed by the parties and necessary for the court to resolve in order to reach the result it did, and for playing fast and loose with the facts by assuming that ProCD was in fact engaged in price discrimination despite the absence of any evidence in the case that it was willing to sell to competitors at any price.").

[142] *See, e.g.*, Bowers v. Baystate Technologies, Inc., 320 F.3d 1317, 1324-25 (Fed. Cir. 2003) (citing ProCD, stating that "most courts to examine this issue have found that the Copyright Act does not preempt contractual constraints on copyrighted articles," and holding that "This court believes that the First Circuit would follow the reasoning of ProCD and the majority of other courts to consider this issue. This court, therefore, holds that the Copyright Act does not preempt Mr. Bowers' contract claims."); Meridian Project Systems, Inc. v. Hardin Constr. Co., LLC, 426 F.Supp.2d 1101, 1108 (E.D.Ca. 2006) (finding no preemption, citing a Ninth Circuit case that relied on ProCD, and stating "In reaching its finding of no preemption in Altera, the Ninth Circuit found compelling the Seventh Circuit's analysis of a similar issue in ProCD."), citing Altera Corp. v. Clear Logic, Inc., 424 F.3d 1079, 1089-90 (9th Cir. 2005); Husckshold v. HSSL, LLC, 344 F.Supp.2d 1203 (E.D.Mo.2003) (applying the extra element test and citing, among other cases, ProCD: "'Just as section 301(a) does not itself interfere with private transactions in intellectual property, so it does not prevent states from respecting those transactions."), quoting ProCD,86 F.3d at 1455; Hotsamba, Inc. v. Caterpillar Inc., 2004 WL 609797, * (N.D. Ill. 2004) (citing ProCD as controlling precedent).

[143] Some courts have held that certain contracts are preempted, but this is distinctly the minority view. *See, e.g.*, Vault Corp. v. Quaid Software Ltd., 847 F.2d 255, 270 (5th Cir. 1988) ("The provision in Louisiana's License Act, which permits a software producer to prohibit the adaptation of its licensed computer program by decompilation or disassembly, conflicts with the rights of computer program owners under section 117 and clearly 'touches upon an area' of federal copyright law. For this reason, and the reasons set forth by the district court, we hold that at least this provision of Louisiana's License Act is preempted by federal law, and thus that the restriction in Vault's license agreement against decompilation or disassembly is unenforceable."). The case presented somewhat differently in *Vault v. Quaid* because of Louisiana's License Act, but the effect was ultimately the same: the Louisiana Act expressly permitted – but did not require – software vendors to contract around fair use.

The way the courts have addressed the question of section 301 preemption of contract terms has been unsatisfying. Application of section 301 should be primarily an exercise in discerning congressional intent, but most courts fail even to acknowledge this, much less attempt it. But because congressional intent in this regard is so unclear, it is difficult to conclude that section 301 mandates, prohibits, or permits preemption of contract terms. In the end, there are two fundamental problems with the application of section 301 to state contract law. First, the courts – particularly after *ProCD* – tend to avoid much analysis and instead mechanically state that section 301 does not preempt the enforcement of state contract law regardless of the contract's terms. Second, just as in *ProCD*, most courts do not address the implied preemption doctrines,[144] leaving the analysis of the relationship between state and federal law incomplete.

Part II(B) – The Relationship Between Express and Implied Preemption

A preemption analysis that fails to consider the implied preemption doctrines is incomplete because it fails to address the variety of ways in which state and federal law may conflict. As described above, the express preemption provision contained in the Copyright Act has generally been interpreted not to preempt the enforcement of state contract law. According to most courts, because proof of a state contract claim requires an extra element, section 301 does not preempt such claims. It is certainly possible, however, that such claims may be inconsistent with federal law or policy. A thorough analysis – one consistent with federal copyright policy, as well as our notions of federalism – requires that a court apply the implied preemption doctrines to the question as well.[145]

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[144] Some courts have considered the implied preemption doctrines, but – again – they are in the minority. See, e.g., Davidson & Assocs. v. Jung, 422 F.3d 630, (8th Cir. 2005) (applying conflict preemption doctrine and holding that "[w]hile *Bowers* and *National Car Rental* were express preemption cases rather than conflict preemption, their reasoning applies here with equal force"). The court did not, however, explain why the express preemption reasoning applies to the implied preemption analysis. To be fair, many of the courts that addressed this issue prior to *the* ProCD opinion also failed to consider field or conflict preemption. *See, e.g.*, National Car Rental Sys., Inc. v. Computer Assoc. Int'l, Inc., 991 F.2d 426 (8th Cir. 1993); Taquino v. Teledyne Monarch Rubber, 893 F.2d 1488 (5th cir. 1990); Acorn Structures, Inc. v. Swantz, 846 F.2d 923, 926 (4th Cir. 1988).

[145] Although the issue was briefed, the court in *ProCD* did not address the implied preemption doctrines; indeed, it neither mentioned them nor explained why it failed to do so. Lemley, *Beyond Preemption, supra* note___, at 143 n.

The Supreme Court has indicated that even when a federal statute contains an express preemption provision an implied preemption analysis may also be appropriate.[146] The relationship between the two types of preemption – one flowing from explicit statutory language, the other from the Supremacy Clause of the Constitution[147] – is hardly clear,[148] and I do not intend here to

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138.

[146] Geier v. American Honda Motor Co., Inc., 529 U.S. 861, 869 (2000) ("We now conclude that the saving clause (like the express pre-emption provision) does *not* bar the ordinary working of conflict pre-emption principles.") In *Geier*, the Court examined the saving clause and determined that Congress did not intend "to save state-law tort actions that conflict with federal regulations." *Id*. at 869. Similarly with Section 301, there is no indication that Congress intended to allow state laws or state law causes of action that created a conflict or an obstacle to federal law. *See also* Freightliner Corp. v. Myrick, 514 U.S. 280, 288 (1995). ("The fact that an express definition of the pre-emptive reach of a statute 'implies' – i.e., supports a reasonable inference- that Congress did not intend to pre-empt other matters does not mean that the express clause entirely forecloses any possibility of implied preemption."). *See* Rothman, *supra* note__, at 237-38 ("Because neither Section 301 nor its legislative history suggest an abrogation of other preemption principles, conflict preemption analysis still applies. Therefore, state law can be preempted even if the state action does not fall under the parameters of Section 301."). *See also* Lemley, *Beyond Preemption*, *supra* note ___, at 141 ("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."). Lemley provides an example that makes clear that section 301 cannot be the end of the analysis: "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." *Id.* at n.130. *See also* Tom W. Bell, *Misunderestimating* Dastar, *supra* note ___, at 232-33 ("Recognizing that the Constitution's copyright and supremacy clauses combine to preempt conflicting state laws directly, without the intermediation of the Copyright Act, thus simply brings copyright law up to speed with patent law.").

[147] U.S. Const. art. VI, cl. 2 ("This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding. "); Karen A. Jordan, *The Shifting Preemption Paradigm: Conceptual and Interpretive Issues*, 51 VAND. L. REV. 1149, 1155 (October 1998), ("Congress' capacity to preempt state laws flows from both the powers delegated to Congress through the Constitution and the Supremacy Clause . . .The supremacy of federal law means that valid federal law overrides otherwise valid state law in cases of conflict.").

[148] *See* Jordan, *supra* note ___, at 1151-52 ("If the federal law at issue contains an express preemption provision, the Court has analyzed the language of the preemption clause and has not purported to consider field or conflict preemption

explore this tension in depth. Regardless, the Supreme Court has indicated – and common sense dictates – that there might be situations in which the enforcement of state law conflicts with federal law in a way not anticipated or addressed by Congress in an express preemption provision.[149] Indeed, there is some evidence in the legislative history of section 301 that Congress withheld judgment or decision concerning potential conflicts between federal copyright law and the enforcement of state contract law. In one early version of section 301, the language indicated that state contract law was not to be affected by the Copyright Act, but that language was removed in the final version of the bill. The import of this action is unclear and thus "the most logical course of action is to disregard the deleted language."[150] Even the *ProCD* court, which refused to preempt the operation of state contract law in that case, declined to make a categorical rule against such preemption, leaving open the possibility that contract terms might be preempted in some circumstances.[151]

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theories. Recent preemption cases, however, have suggested a shift away from the categorical approach. . . "the [recent preemption] cases suggest that the Court as a whole agrees that an express preemption provision does not foreclose consideration of the implied preemption doctrines. Beyond that, however, the cases reveal a tension among the Justices regarding the extent to which implied preemption principles should inform the interpretation of an express preemption provision.").

[149] Geier v. American Honda, 529 U.S. at, 869-74 ("We now conclude that the saving clause (like the express pre-emption provision) does *not* bar the ordinary working of conflict pre-emption principles."). *See* Cohen, *supra* note ___, at 485-86 & n. 83 (collecting sources and stating that "even if Congress did….intend [to permit state to enact copyright- like protection], the intellectual property clause of the Constitution arguably would exert independent preemptive force.").

[150] Rothman, *supra* note___, at 236. Rothman describes the varying interpretations of the deletion of the language: "There is a suggestion in the record that it was struck because it would have destroyed the intent of Section 301 by failing to preempt state laws which interfered with copyright law, such as the right of publicity. Other parts of the legislative record, however, suggest another reason the language was struck. Some members of Congress thought the language was unnecessary since it was obvious that certain state rights, such as the right of publicity, would not be preempted." *Id.* at 235 and nn. 156-158.

[151] 86 F. 3d. 1455 ("….we think it prudent to refrain from adopting a rule that anything with the label 'contract' is necessarily outside the preemption clause."). In addition, the Court's recent opinion in *Dastar v. 20th Century Fox*, 539 U.S. 23 (2003), has perhaps only served to muddy the waters regarding the relationship between express and implied preemption in the copyright context. In *Dastar*, the Court interpreted the "origin" of goods language in the Lanham Act to refer to the producer or manufacturer of a good and not to the creator or source of the idea or concept. *Id.* at 32. In so holding, the Court explicitly discussed the policy of preventing "mutant copyrights" – that is, using the Lanham Act to evade the requirements of copyrightability. *Id.*, at 34. *See* Viva

Part II(C) – Implied Preemption

Thus, unless there is no possibility that the scope of federal law might be broader than that anticipated by Congress in an express preemption provision, a court should conduct an implied preemption analysis to determine the proper accommodation of state law to federal policy. Preemption has generally been found in two different circumstances. The first is "field preemption," which occurs when Congress intends to "occupy a field" exclusively.[152] Implied field preemption is not particularly relevant here, as Congress plainly has not occupied the field of protecting expressive works; to the extent it has indicated its intent to do so, that intent is expressed through section 301.[153] As the states may act to a limited extent in this area, the question then is what forms of state regulation are permissible.[154] To answer this question, a court must turn to the other strain of implied preemption doctrine: "conflict" or "obstacle" preemption. Under these doctrines, the traditional inquiry has been whether it is "impossible for a private

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R. Moffat, *Mutant Copyrights and Backdoor Patents: The Problem of Overlapping Intellectual Property Protection*, 19 BERK. TECH. L.J. 1473, 1522 (Fall 2004) ("Based on the Court's opinion [in Dastar], a mutant copyright can be defined as any additional protection for a work within the subject matter of copyright. With this definition, it becomes clear that a mutant copyright emerges whenever overlapping protection is available."). For an argument that the Court's opinion in *Dastar* and the subsequent case law have expanded, perhaps improperly, the implicit preemptive reach of the Copyright Act, *see* Tom W. Bell, *Misunderestimating* Dastar, *supra* note ___, at 212 (". . . the Court worried that giving the Lanham Act too broad a scope would put it into conflict with the Copyright Act.") Bell contends that *Dastar* has resurrected implied preemption doctrine in cases involving copyrighted and copyrightable works. *See id.* at 228 (arguing that *Dastar* ". . . herald[s] a shift in the type of copyright preemption that courts favor, away from the express preemption of § 301(a) and toward the more general principles of implied preemption applied in *Dastar*."). If this argument is correct – and I am not sure that implied preemption was buried and thus could now be described as resurrected – it is problematic, not because it is necessarily the wrong approach but because the Court was not clear about what it was doing and has thus left the lower courts with little guidance.

[152] *See* English v. General Elec. Co., 496 U.S. 72, 79 (1990) (citing Rice v. Santa Fe Elevator Corp., 331 U.S. 218, 230 (1947)).

[153] Rothman, *supra* note ____, at 237 (field preemption "does not seem to apply to copyright preemption analysis because there is no evidence that Congress sought to occupy the entire field of intellectual property."). *See also* Bell, *supra* at 228-29 ("Because the Copyright Act leaves many openings for state law to play a role, field preemption plays a distinctly minor role in copyright.").

[154] *Cf.* Goldstein v. California, 412 U.S. 546, 556-57 (1972) ("Although the Copyright Clause thus recognizes the potential benefits of a national system, it does not indicate that all writings are of national interest or that state legislation is, in all cases, unnecessary or precluded.").

party to comply with both state and federal requirements"[155] or whether state law "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress."[156]

According to obstacle preemption principles, "[e]ven if Congress has not expressly preempted state law, and even if federal law does not occupy the field and there is no conflict between the federal and state laws, preemption still can be found if a court concludes that the state law interferes with a federal goal."[157] A direct conflict may be found when compliance with both federal law and state law is impossible.[158] Interference occurs when the enforcement of state law "stands as an obstacle to the accomplishment and execution of the full purposes or objectives of Congress."[159] As it is possible to comply with both federal and state law in the context of contractual restrictions on the use of copyrighted materials, the remaining question is whether the enforcement of adhesion contract provisions limiting fair use "stands as an obstacle to" federal purposes or objectives.

Under this standard formulation – as with the express preemption analysis – the primary task for the court in conducting an obstacle preemption analysis is interpretive. The interpretive task here is broader, however, because the court must look to "the full purposes and objectives of Congress."[160] The key analytic element of the obstacle preemption analysis is the characterization of the federal objective (or purpose or goal).[161] Determining the federal objective is a matter of divining congressional intent from statutory language, legislative history, and other sources. In practice, this can be quite a difficult task, but the theory is clear: the court must ask what Congress intended and attempt to determine what the federal policy or purpose is. The second step involves a determination of whether the state law conflicts with or "stands as an obstacle to" that broad federal purpose.

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[155] English, 496 U.S. at 79 (citing Florida Lime & Avocado Growers, Inc. v. Paul, 373 U.S. 132, 142-43 (1963)).
[156] *Id.*, at (quoting Maryland v. Louisiana, 451 U.S. 725, 747 (1981); Hines v. Davidowitz, 312 U.S. 52, 67 (1941)).
[157] Erwin Chemerinksy, CONSTITUTIONAL LAW: PRINCIPLES AND POLICIES 394 (2d ed. 2002)
[158] Gade v. Nat'l Solid Wastes Mgmt. Ass'n, 505 U.S. 88, 98 (1992)
[159] Hines v. Davidowitz, 312 U.S. 52, 67 (1941).
[160] *Id.*
[161] Chemerinsky, supra note__, at 396

Part II(D): Obstacle Preemption in the Intellectual Property Context

Preemption doctrine is so varied and so context-specific that a court must look not only to an express preemption provision, if one exists, and to the general implied preemption principles, but also to the preemption case law as it has developed in the particular substantive area. Unfortunately, the Supreme Court has not issued an opinion regarding implied copyright preemption since the express preemption provision was enacted.[162]

In its one significant copyright preemption decision before 1976, in *Goldstein v. California*,[163] the Supreme Court applied the standard approach, stating that it had to determine whether the state law "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress."[164] The Court then emphasized its interpretive and descriptive role: "We turn, then, to federal copyright law to determine what objectives Congress intended to fulfill."[165] The Court found those objectives in the Constitution, the 1909 Copyright Act (which applied at the time), legislative history, and Supreme Court precedent.[166] At issue in *Goldstein* was the enforceability of a California state regulation criminalizing "record" or "tape" piracy. The petitioners in the case challenged their conviction, arguing that the state statute was preempted by the Copyright Act. The Court held that the enforcement of the state law did not stand as an obstacle to the achievement of a federal purpose because Congress had not indicated that it wished either to commit the recording to the public domain or provide the exclusive means of regulating them. The Court concluded that "[i]n regard to this category of 'Writings,' Congress has drawn no balance; rather it has left the area unattended, and no reason exists why the State should not be free to act."[167]

In so concluding, the Court relied on a series of patent preemption cases in which the Court had held that – in enacting the

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[162] Tom W. Bell has argued that the Supreme Court's recent opinion in *Dastar v. 20th Century Fox*, [cite], is a preemption case, but that case involved a horizontal clash between two areas of federal regulation, not a vertical clash between federal and state regulation. Bell asserts that the lower courts have read the opinion to address Supremacy Clause preemption, but in the case the Court does not engage preemption doctrine. *See* Bell, *supra* note __, at 244 (". . . following *Dastar's* lead, courts will ask whether a suspect state law claim threatens to conflict with federal policy.").

[163] Goldstein v. California, 412 U.S. 546 (1973).

[164] *Id.* at 548.

[165] *Id.*

[166] *Id.* at 566-69.

[167] *Id.* at 570.

Patent Act – Congress had "indicated not only which articles in this particular category [it] wished to protect, but which configurations it wished to remain free."[168] The analysis was thus based on an examination of the area or areas in which Congress had indicated an interest in regulation and had acted either to provide protection for certain classes of inventions or to affirmatively leave material in the public domain. The extent of permissible state regulation of intellectual property is thus directly related to the scope of authority Congress has exercised pursuant to the Patent and Copyright clause.

A review of the patent preemption cases reveals the Court's role as interpreter or decipherer of federal law and policy in conducting a preemption analysis. Most recently, the Supreme Court found that the Patent Act preempted a Florida statute protecting boat hull designs.[169] In *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, the Supreme Court preempted a Florida statute that provided patent-like protection for boat hull designs in circumstances under which a federal patent was unavailable. The Court held that, with the Patent Act, Congress preempted the field.[170] The Court found that the "patent statute's careful balance between public right and private monopoly to promote certain creative activity is a 'scheme of federal regulation . . . so pervasive as to make reasonable the inference that Congress left no room for the States to supplement it.'"[171] As in *Goldstein*, the Court asked whether Congress had acted in a particular area, not whether providing additional protection was acceptable: "The offer of federal protection from competitive exploitation of intellectual property would be rendered meaningless in a world where substantially similar state law protections were readily available. To a limited extent, the federal patent laws must determine not only what is protected, but also what is free for all to use."[172]

In determining that the Florida statute was preempted, the Court assessed the purposes and goals of federal patent protection.[173] In particular, the Court described the "federal policies of encouragement of patentable invention and the prompt disclosure of such inventions."[174] In attempting to define and

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[168] *Id.* at 569.
[169] Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141 (1988).
[170] *Id.*
[171] *Id.* at 167 (quoting Rice v. Santa Fe Elevator Corp., 331 U.S. 218, 230 (1947)).
[172] *Id.* at 141.
[173] *Id.* at 146-57.
[174] *Id*. at 141.

articulate the relevant federal policy, the Court in *Bonito Boats* examined a variety of sources: prior Supreme Court cases, the language of the first Patent Act, the writings of Thomas Jefferson, the language of the current Patent Act, and some scholarly commentary.[175] Ultimately, the Court summarized federal patent policy as embodying "a carefully crafted bargain for encouraging the creation and disclosure of new, useful, and nonobvious advances in technology and design in return for the exclusive right to practice the invention for a period of years."[176]

Based on the conclusion that the federal patent system relies upon a backdrop of a relatively free market in *unpatented* designs – in order to encourage the patenting, and therefore the disclosure, of certain designs – the Court held that the Florida statute conflicted with the federal purposes because it limited exploitation of unpatentable designs.[177] After defining the relevant federal policy, the Court then looked at the Florida statute and evaluated its interaction with the federal goals.[178] The Court determined that "the Florida statute at issue in this case so substantially impedes the public use of the otherwise unprotected design and utilitarian ideas embodied in unpatented boat hulls as to run afoul of the teaching of our decisions in *Sears* and *Compco*."[179]

In other cases as well, the Court has stated that it must ask whether the enforcement of state law "clashes with the objectives of the federal patent laws."[180] With respect to the preemption of contract terms, the most closely analogous case is *Aronson v. Quick Point Pencil Co*.[181] *Aronson* involved a contract for royalties on a keyholder. The contract provided that the inventor would receive a 5% royalty in exchange for transferring the exclusive right to make the keyholder to the Quick Point Pencil Company.[182] A contemporaneous contract stated that the royalty

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[175] *Id*. at 146-57.
[176] *Id*. at 150-51.
[177] *Id*. at 158 ("In contrast to the operation of unfair competition law, the Florida statute is aimed directly at preventing the exploitation of the design and utilitarian conceptions embodied in the product itself.").
[178] *Id*. at 157-68.
[179] *Id.* at 157.
[180] *See* Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 231 (1964); Compco Corp. v. Day-Brite Lighting, 376 U.S. 225, 231 (1964) (in patent preemption case, starting with the question of what the relevant federal policy is and holding: "To forbid copying would interfere with the federal policy, found in Art. I, § 8, cl. 8, of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain.").
[181] Aronson v. Quick Point Pencil Co., 440 U.S. 257 (1978).
[182] *Id.* at 259.

would be reduced to 2.5% if the patent application on the invention was not granted within five years.[183] The patent application was not granted within five years, and, after paying the reduced royalty for 14 years, Quick Point then sought a declaration that the contract was void because its enforcement was preempted by federal patent law.[184]

The Court began its analysis with the question "'of whether [the state law] stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.'"[185] Here, the Court acknowledged its interpretive task, stating that the first step in the preemption discussion was to "review the purposes of the federal patent system."[186] The Court concluded that enforcement of the agreement was not inconsistent with any of the purposes of the federal patent system.[187] The Court found that the encouragement of invention and the preservation of the public domain were two of the primary purposes of the patent system and that the contracts at issue undermined neither.[188] Notably, the Court found that the agreements did not withdraw any idea from the public domain[189] and did not improperly leverage the pending patent.[190] Instead, the contract obligations were "freely undertaken in arm's-length negotiations."[191]

Thus, just as with the express preemption analysis and the general implied preemption cases, the crucial analytic step involves an interpretive endeavor, an effort to determine congressional intent. The vast majority of courts to address the potential conflicts between federal copyright law and state contract law have failed, however, to acknowledge this task, much less engage in it.

Instead, purely policy-driven and normative approaches to the question of "contracting around" copyright rules abound. Judges and academics have offered a range of suggestions for determining the appropriate balance between copyright rules and private contracting. The prescriptions cover a broad range: from the view that private contracting allows for the most efficient

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[183] *Id.*
[184] *Id.* at 260.
[185] *Id*. at 262, *quoting* Hines v. Davidowitz, 312 U.S. 52, 67 (1941).
[186] *Id.* Here, the Court did not identify, other than by reference to a prior Supreme Court opinion, the sources for its description of the purposes of the federal patent system.
[187] *Id.* at 262.
[188] *Id.*
[189] *Id.* at 263.
[190] *Id.* at 265.
[191] *Id.* at 266.

allocation of resources to the view that certain copyright rights should never be contracted away.[192] What these perspectives have in common is their normative outlook; each addresses the question of what copyright policy *should* be. The other commonality is the reliance on contract law and theory – either to ratify the transaction as consensual or to undermine it as unconscionable.[193] When confronted with a preemption question, however, a court's task should be interpretive (what *is* Congress' intent?) rather than proscriptive (what is the best policy?).

Part III – Super-Copyright Clauses Stand as an Obstacle to the Purposes of the Federal Copyright System (Or, Why Courts Should Preempt Some Contractual Restrictions on Fair Use)

It is, of course, easy to assert that courts ought to engage in the interpretive exercise of ascertaining congressional intent and determining whether the operation of state law "stands as an obstacle" to that intent or purpose; and it is easy to criticize courts for not having done so in the past. It is quite different – and substantially more difficult – to take on that task in practice. The primary challenge in conducting a preemption analysis relating to the Copyright Act is a general lack of clarity: the text of the statute provides little guidance; federal copyright law and policy are not well-defined; and the legislative history is not illuminating in many instances. In addition, courts ought to proceed cautiously given the potentially blunt effect of preemption of state contract law. Looking only at fair use restrictions in adhesion contracts (still a significant swath of contracts, to be sure), the approach can be simplified to some extent. That is, the issue is not whether intellectual property rights *in general* trump state contract law *in general*, but whether *particular* aspects of state contract law conflict with *particular* copyright policies.[194]

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[192] *See, e.g.*, Nimmer, *Issues in Licensing*, 42 Hous. L. Rev. at 943-47 (describing the basic contours of the debate over information licensing). In fact, many commentators rely on contract theory for both the ceiling and the floor of the permissible role of private ordering. *See* Cohen, *supra* note___, at 479 (describing the scholars who advocate a basic "freedom of contract" approach as also relying on contract defenses to ameliorate the most pernicious consequences of private ordering.).

[193] *But see* Cohen, *supra* note___, at 474-80 (criticizing a number of scholars for relying so heavily on contract law and theory); *see id.* at 475 (describing Maureen O'Rourke and Tom Bell as viewing "contract as presumptively more efficient than copyright at promoting the dissemination of creative works.").

[194] *See* Lemley, *Beyond Preemption*, *supra* note___, at 137 ("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

The language of the fair use provision itself does not clarify the issue of whether and when that section is waivable by contract. Thus, to apply obstacle preemption analysis, a court must look at more general policies embodied in the Copyright Act. Congress has expressed policy preferences in at least three areas that affect the analysis of wide scale restrictions on fair use. Congress has indicated that it intends to (1) preserve and protect fair uses of copyrighted materials; (2) maintain balance in the copyright system; and (3) create uniformity in the copyright system. Taken together, these three federal objectives – the principles of fair use, balance, and uniformity – are or will be compromised by the proliferation of adhesion contract terms restricting fair use.

As an initial matter, the specifics of the relevant state law must be recalled. As I described above in Part I, super-copyright provisions are not only prevalent, but virtually universal, and they universally operate in favor of copyright owners and against users and consumers. Given this ubiquity, and given that, in many instances, the good or service is available only by consenting to the copyright owner's terms, super-copyright provisions operate as rights against the world. It is this "rights against the world" aspect of super-copyright provisions that raises the most serious conflicts with the Copyright Act. This emerges in thinking about the policies of fair use, balance, and uniformity in the copyright scheme.

Part III(A) – Fair Use

To determine whether the operation of state contract law in systematically restricting fair uses of copyrighted works stands as an obstacle to the achievement of a federal purpose, a court ought first examine the fair use defense itself.[195] Little ink would have been spilled on this topic if the Copyright Act spoke to the question of contracting around fair use, but it does not. Section 107, which allows for fair use, neither prohibits nor explicitly

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without bringing down the whole edifice.").

[195] 17 U.S.C. § 107 (" . . . the fair use of a copyrighted work . . . for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright."). Some of the arguments here may well apply to other provisions of the Copyright Act, including the first sale provision and the affirmative lack of protection for certain kinds of works such as databases. With respect to each of these areas, the Act fails to indicate whether they are default or absolute provisions. The first sale rule is codified at 17 U.S.C. § 109 (". . . . the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.").

permits contracting around, so it is not clear from the language of the statute whether fair use is merely a default rule.[196]

The Act only inconsistently addresses the issue of which provisions are mere default rules and which are non-waivable.[197] Some of the provisions of the Act prohibit any kind of waiver. Most notably, section 203 of the Act provides that authors may, under certain circumstances, terminate any transfers of their copyright rights, even when that transfer has been accomplished with a negotiated contract.[198] On the other hand, some provisions of the Copyright Act clearly are default rules that can be contracted around at will. The works made for hire provision, for example, provides that a work prepared by an employee in the scope of her employment is owned by the employer "unless the parties have expressly agreed otherwise in a written instrument signed by them . . ."[199] Some provisions even set boundaries on both sides – that is, they provide that certain rights may be baselines rules only while others are non-waivable. Moral rights, for example, may be waived in a contract, but they may not be transferred, by contract or otherwise.[200] The vast majority of the provisions of the Copyright Act do not include any expression of congressional intent concerning the propriety of "contracting around." Because there is no consistent pattern in the Act that creates a default (i.e., unless otherwise indicated, all provisions are waivable), the

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[196] *See supra* Part __. This lack of clarity emerges in a variety of areas of the Copyright Act. In the context of public domain or affirmatively *not* protectable materials, both Congress – in section 102(b) of the Copyright Act, for example, which excludes certain material from copyright protection, including ideas, procedures, and processes. 17 U.S.C. § 102(b) ("In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.") – and the Supreme Court – in *Feist*, for example (Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 348 (1991) (reaffirming that facts may not be copyrighted) – have clearly indicated that certain works, though perhaps expressive and fixed in a tangible medium of expression, are not protectable. But neither the Court nor Congress has expressly indicated whether it is always or sometimes acceptable to contract around these principles.

[197] *See* Lemley, *Beyond* Preemption, *supra* note___, at 142

[198] 17 U.S.C. § 203 ("In the case of any work other than a work made for hire, the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by will, is subject to termination under the following conditions

[199] 17 U.S.C. § 201(b).

[200] 17 U.S.C. § 106A(e) ("(1) The rights conferred by subsection (a) may not be transferred, but those rights may be waived if the author expressly agrees to such waiver in a written instrument signed by the author.").

expressio unius est exclusio alterius canon of statutory interpretation is not helpful in determining congressional intent or federal policy.[201] Thus we can conclude nothing from the absence of language concerning contracting around the fair use provision of the statute.

In determining whether and under what circumstances super-copyright provisions conflict with federal policy, a court must look beyond the language of the fair use provision. In enacting section 301, Congress did not indicate when state contract law might conflict with federal copyright policy, but Congress did not explicitly exclude contract law from its preemptive reach.[202] Thus contract provisions are not necessarily free from scrutiny through the lens of the Copyright Act.[203]

Although neither section 107 nor its legislative history clarifies whether or to what extent contracting around fair use is acceptable, the statute, the legislative history, and the Supreme Court opinions interpreting and applying the fair use defense do shed some light on congressional intent – and therefore on the relevant federal policy. It is impossible to conclude that Congress intended to preclude all restrictions on fair use, but the proliferation of super-copyright clauses may nonetheless have implications for federal copyright policy that have not been anticipated or addressed by Congress.[204]

In general, it appears that the fair use defense was the result of a fairly contentious negotiation process that reflects a significant compromise[205] and that it provides some protection for certain unauthorized uses of copyrighted works.[206] Fair use has been described as one of the few "outlets" in the system providing for third party use of copyrighted works,[207] and it is often seen as the

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[201] expressing one thing excludes the other

[202] *See supra* Part __ (regarding the deletion of state contract law from a provision stating what areas of law were not preempted by Section 301 of the Copyright Act).

[203] *See supra* Part __.

[204] Lemley, *Beyond Preemption, supra* note___, at 142 ("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.").

[205] *See generally*, Litman, *supra* note___, at 883-888 (describing the negotiation process).

[206] The language of the statute compels at least this modest conclusion.

[207] Litman, *supra* note___, at 886 ("Fair use was also the sole safe harbor for interests that lacked the bargaining power to negotiate a specific exemption.").

mechanism by which copyright law is harmonized with the first amendment.[208] Little more than this can be drawn from the "muddled statutory provision"[209] and the legislative history concerning the intent of Congress in enacting the provision.[210] Some commentators see fair use as a vehicle for correcting market failures.[211] Others see it as capable of contributing substantially to creativity, expression, and democratic self- governance.[212]

While individually negotiated contracts may limit fair uses without creating rights against the world and without impinging on the speech or public use values of the Copyright Act,[213] the widespread use of super-copyright clauses threatens the role of fair use in the copyright scheme. The policies animating the fair use defense include the goal of encouraging creativity and promoting "progress" by permitting some use of copyrighted works, balancing the rights of owners with public benefits, allowing the flexibility for the law to adapt to changing technology, and permitting the law to reflect social norms.[214] Congress has expressed a federal objective of permitting some unauthorized uses of copyrighted works; to permit state law to operate to significantly restrict – in a widespread manner – these otherwise fair uses stands as an obstacle to the federal objective.[215]

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[208] *See* Eldred, Tushnet, 537 U.S. at 789 (describing fair use as one of copyright's "built-in" First Amendment accommodations").

[209] Weinreb *supra* note___, at 1139.

[210] Litman, *supra* note____, at 863 ("The Legislative history of the 1976 Act contains little evidence of Congress's specific intent on any substantive issue.").

[211] *See, e.g.*, Wendy J. Gordon, *Market Failure and Intellectual Property: A Response to Professor Lunney*, 82 B.U.L REV. 1031, 1034-35 (October 2002) (describing some of the versions of the "market failure "approach to fair use and stating the "I very much regret the way the market failure approach has grown-up, or rather grown-down, since the publication of my original piece. Transaction cost barriers are neither the only kind of economic problem to which fair use responds, nor the only kind of problem to which fair use should respond."); *see* also Sag, *supra* note___, at 164-66.

[212] *See* Jack M. Balkin, *Digital Speech and Democratic Culture: A Theory of Freedom of Expression for the information Society*, 79 N.Y.U L. REV. (2004); Neil Weinstock Netanel, *copyright and a Civil Democratic Society*, 106 YALE L.J. 283 (1996); *see* also Sag, *supra* note___, at 421.

[213] Individually negotiated contracts are perhaps the pinnacle of private ordering and, while they may at times present conflicts with the Copyright Act, there is little chance that a court or Congress will agree that fair use is in all cases nonwaivable.

[214] *See* generally, Litman, *supra* note___, at___.

[215] *See* Lemley, *supra* note___, at 129 ("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."), *citing* Neil Weinstock Netanel, *Copyright in a Democratic Civil Society*, 106 Yale L.J. 283, 362 (1996) ("Th[e] imposition of limits [on copyright] must be seen as a vital and integral part of

The broad implementation of restrictions on fair use is likely to interfere with these principles. At the most basic level, widespread contractual restrictions on fair use are likely to result in fewer fair uses of copyrighted works. The provisions are almost certainly intended to reduce the number of fair (and unfair) uses. Eventually, there will be less fair use, fewer fair use determinations by courts, and – potentially – less creativity, less creation, and less "Progress."[216] Over time, super-copyright clauses will cause a change in the public's perception of the public domain and the scope of fair use itself. And even if the average layperson understands the difference between the default fair use standard and the obligations imposed by various contracts (which strikes me as generally unlikely), the contractual restrictions will have (and surely are intended to have) a chilling effect on the uses to which expressive works will be put, for fear of litigation. Widespread restrictions on fair use, particularly in circumstances where there is no access to the work in the absence of such restriction, effectively takes from the public something that Congress has declared belongs to the public. In short, super-copyright restrictions will reduce the extent and incidence of fair use of copyrighted materials on a wide-scale basis that interferes with the federal policy of encouraging public access to, enjoyment of, and benefit from expressive works.[217]

In addition, fair use can be seen as one of the mechanisms by which copyright law is able to respond to technological change[218] and reflect societal norms.[219] This flexibility is achieved through judicial policymaking, policymaking that Congress has delegated to the courts. Fair use, as conceived in the Copyright Act, is an extremely flexible and fact-sensitive doctrine, requiring close and careful evaluation by courts based on only a rough statutory guideline.[220] It is this context-specific nature of fair use that permits it to change relatively easily and to apply to new and unforeseen circumstances. Super-copyright provisions limit the doctrine's ability to respond to such changes, however, because they seek to bypass the doctrine and judicial articulation and refinement of the doctrine altogether. That is, super-copyright clauses take flexibility away from courts, (and the courts give that flexibility away in upholding the provisions) which results in a

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copyright's structural function.").

[216] *See supra* Part __.

[217] Carroll, *supra* note___, at 6-8.

[218] Sag *supra* note___, at 402-03

[219] Weinreb, *supra* note___, at 1138

[220] *See supra* Part___.

significant shift in the structural balance of copyright law.[221] If there is no experimentation with new uses or new technology, the law cannot respond to those new uses – and super-copyright provisions are clearly intended to prevent such experimentation.

If fair use is, in fact, an integral part of the federal copyright scheme, widespread contractual restrictions on fair use that operate as a form of private legislation that conflict with the purposes of the fair use defense. Negotiated departures from the fair use principle are not as troubling as those consumer adhesion contracts that are only constructively agreed to because the negotiated agreements are obviously consensual, likely to be more balanced, and likely to be less frequent, unlike the massively widespread limitations on fair use present in virtually all consumer adhesion contracts. Negotiated contracts are the epitome of private ordering, whereas online adhesion contracts do, in fact, create rights against the world. In this way, the enforcement of super-copyright clauses stands as an obstacle to the achievement of the purposes animating the fair use doctrine itself.

Part III(B) – Balance

The proliferation and enforcement of super-copyright clauses stands as an obstacle to the achievement of federal copyright policy in another way: by consistently arrogating to themselves an increasing arsenal of rights, businesses have succeeded in tipping the balance between owners and users distinctly in the direction of owners and away from the users of copyrighted works. This is a "copyright plus" approach. Copyright owners attempt to increase their control over and reduce the third party use of copyrighted works by layering protection: copyright *plus* patent *plus* trade secrets *plus* the right of publicity *plus* technological protection measures equals a lot of protection. The question is whether this shift effectively and significantly alters the balance of rights, obligations, defenses, and exceptions set forth in the Copyright Act and therefore stands as an obstacle to federal objectives.

As described above in Part I, the vast majority of consumer adhesion contracts alter baseline copyright rules, and, other than open source materials and creative commons licenses, I have yet to find one that gives the users *more* rights than would otherwise accrue under copyright law. If virtually every time a consumer uses the Internet, buys a product, or signs up for a service, she contracts away some or all of her fair uses, the balance has

[221] *See infra* Part ___. *See also* Sag *supra* note___, at 412.

tipped.[222]

The 1976 Copyright Act has been viewed as a compromise between various interests,[223] and the Act reflects an implicit bargain between the various business and consumer interests (and likely reflects very little deliberation by the members of Congress themselves).[224] As Jessica Litman has described, very few legislators even understood, much less participated in, discussions about or the drafting of the provisions of the Copyright Act.[225] Instead, members of Congress apparently relied upon the various interests to produce a compromise acceptable to all. It is in this manner that the fair use exception was codified.[226] Fair use should thus be seen as a counterweight (and one of only a few such mechanisms[227]) to the rights of copyright owners. That is, balance in the copyright system depends, in large part, on the fair use doctrine.

Matthew Sag has described fair use as an integral part of the balance of rights created by Congress. He has argued that the presence of the fair use defense permits a stronger set of ownership rights.[228] Under this view, "copyright ownership claims are contingent upon the application of fair use. Reliance on owned works does not necessarily preordain a life of intellectual servitude. The alleged tyranny of copyright is mitigated in part because copyright claims are limited by fair use."[229] Under this

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[222] *See* Lemley, *supra* note___, at 142 ("Conflicts-based preemption of contracts will occur not only in cases in which there is a direct conflict with the express terms of a 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."). In other contexts, the Supreme Court has validated the idea of "balance preemption." *See, e.g.*, California Fed. Sav. & Loan Ass'n v. Guerra, 479 U.S. 272, 281 (1987) (parenthetical); Burbank v. Lockheed Air Terminal, Inc., 411 U.S. 624, 638-39 (1973) (preempting state law in order to preserve the Federal Aviation Act's "delicate balance between safety and efficiency").

[223] Litman, *supra* note___, at 861 ("the language evolved through a process of negotiation among authors, publishers, and other parties with economic interests in the property rights the statute defines.").

[224] *Id.* at 862 ("The Legislative materials disclose a process of continuing negotiations among various industry representatives, designed and supervised by Congress and the copyright office and aimed at forging a modern copyright statute from a negotiated consensus.").

[225] *Id.* at 862-63 (quoting Representative Paul C. Jones as saying that "I have talked to member of the committee on the Judiciary who admit they do not know what is in it.").

[226] *Id.*

[227] *See* Mazzone, *supra* note___, at 1029 ("Copyright law suffers from a basic defect: The law's strong protections for copyrights are not balanced by explicit protections for the public domain.").

[228] Sag, *supra* note___, at 408, 410.

[229] *Id.* at 383.

view, without fair use (or with a weaker version of fair use), the rights granted under the Act might not be so strong. If this balance is part of the objectives of fair use, super-copyright clauses interfere with the ability of fair use to offset ownership rights.

In a much more general way, as well, balance is part of the federal copyright system.[230] The Supreme Court has repeatedly acknowledged the effort made by Congress to create a balance between providing an incentive for creation (the limited monopoly of a copyright) and the good that is meant to flow to the public from the creation and dissemination expressive works. Indeed, the Court has often justified the grant of a monopoly on the basis of the public interest in having access to a greater number of works. In *Sony v. Universal City Studios*,[231] for example, the Court stated that

> In enacting the copyright law Congress must consider . . . two questions: First, how much will the legislation stimulate the producer and so benefit the public, and, second, how much will the monopoly granted be detrimental to the public? The granting of such exclusive rights, under the proper terms and conditions, confers a benefit upon the public that outweighs the evils of the temporary monopoly.[232]

This statement makes clear that the Court views the copyright law as a balancing act. The copyright balance – like the patent balance – can be seen as a "bargain" between the owners of expressive works and the public whereby both parties benefit.[233]

More recently, in upholding the 1998 Copyright Term Extension Act in *Eldred v. Ashcroft*,[234] the Court described the copyright system as a "bargain," albeit one different from the patent bargain.[235] Numerous other cases refer to the balance created by Congress and protected by the Court.[236] The Court has

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[230] *See, e.g.*, Dennis Karjala, 22 DAYTON L. REV. 511, 512 ("Copyright has always represented a balance between owners' and users' rights.")

[231] 464 U.S. 417 (1984).

[232] *Id.* at 429 n. 10 (1984) (*quoting* H.R. Rep. No 60-2222, at 7 (1909)).

[233] *Id.* at 429.

[234] 537 U.S. 186, 192 (2002) (holding that "Congress acted within its authority and did not transgress constitutional limitations" in enacting the Copyright Term Extension Act).

[235] *Id.* at 214-17 (comparing patent law to copyright law and stating that, in patent law, "immediate disclosure is not the objective of, but is *exacted from*, the patentee" whereas in copyright law "disclosure is the desired objective [for the author], not something exacted from the author in exchange for the copyright.").

[236] *See, e.g.*, Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) ("The limited scope of the copyright holder's statutory monopoly . . . reflects a

clarified that it is not its "role to alter the delicate balance Congress has labored to achieve" in the copyright realm.[237] I do not here argue that the courts should step in to alter that balance. Instead, I argue that private entities – by accretion, without coordination, and likely as a result of risk-averse lawyering – have taken it upon themselves to alter that balance. And they have consistently altered it in favor of rights holders and against the users of expressive works and the public domain.

Part III(C) – Uniformity

The private legislation aspect of the widespread use of super-copyright provisions also stands as an obstacle to the basic federal policy of creating and maintaining uniformity in the federal copyright system. Uniformity is one of the fundamental and over-arching purposes of copyright law. The appearance of the patent and copyright clause in the Constitution indicates an intent to create at least some level of national uniformity in the treatment of copyrightable works. [238] Pursuant to this purpose, the Second Congress passed a copyright act, providing for some degree of uniformity, and the current Act continues to advance this notion of national uniformity.[239] Indeed, the 1976 Act did away with some of the last vestiges of dual federal-state protection for expressive works by expressly preempting state enforcement of legal or

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balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts.").

[237] Stewart v. Abend, 495 U.S. 207, 230 (1990).

[238] Art. 1, sec. 8, cl. 8. *See, e.g.,* Goldstein v. California, 412 U.S. at 546 ("The objective of the Copyright Clause was clearly to facilitate the granting of rights national in scope."); Diane Leenheer Zimmerman, *Is There A Right to Have Something to Say? One View of the Public Domain,* 73 FORDHAM L. REV. 297, 316 n. 66 ("It is generally agreed that the direct legislative history of the Intellectual Property Clause provides little insight into the intent of the drafters, other than to indicate a desire to provide uniformity among the states."); *see also* The Federalist No. 43 (James Madison) (noting the desire for national uniformity); Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 162 (1989) ("One of the fundamental purposes behind the Patent and Copyright Clauses of the Constitution was to promote national uniformity in the realm of intellectual property.").

[239] The express preemption clause of the Copyright Act, section 301, indicates – however incoherently – an effort to create national uniformity at least to some extent. In general, the breadth and scope of the 1976 Act speaks to a general desire to "occupy the field" of expressive works. *See* Patrick McNamara, *Copyright Preemption: Effecting the Analysis Prescribed by Section 301,* 24 B.C.L. REV. 963, 979 (" . . . Section 301 embodied a major innovation by substituting a single federal system for the prior dual system . . .").

equitable rights that are "within the subject matter of copyright as specified by sections 102 and 103 . . ."[240] Also in 1976, Congress made the federal court's jurisdiction over copyright cases exclusive, ensuring greater uniformity in the resolution of copyright disputes.[241]

The legislative history also supports the notion that national uniformity was one of the main purposes of Congress in enacting the 1976 Act. One member of Congress stated that:

> One of the fundamental purposes behind the copyright clause of the Constitution . . . was to promote national uniformity and to avoid the practical difficulties of determining and enforcing an author's rights under the differing laws . . . of the various States. Today . . . national uniformity in copyright protection is even more essential . . . to carry out the constitutional intent.[242]

As the economy has become increasingly national (and international) in scope, the greater the pressure to achieve uniformity in the treatment of expressive works.

In addition, the courts have consistently and, at times broadly, interpreted the Copyright Act to further the goal of national uniformity. In *Community for Creative Non-Violence v. Reid*,[243] for example, the Supreme Court applied the "general common law of agency" rather than "the law of any particular state" in defining "employee" and "employer" as used (but not defined) in the Copyright Act.[244] The Court explained this decision in terms of the Copyright Act's goal of providing for national uniformity:

> This practice reflects the fact that 'federal statutes are generally intended to have uniform nationwide application.' Establishment of a federal rule of agency, rather than reliance on state agency law, is particularly appropriate here given the Act's express objective of creating national, uniform copyright

[240] 17 U.S.C. § 301.
[241] 28 U.S.C. § 1338(a).
[242] H.R. Rep. No. 1476, 94th Cong., 2d Sess. 129-30 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5744-46. *See also* Goldstein v. California, 412 U.S. 546, 555-56 (1973) ("The objective of the Copyright Clause was clearly to facilitate the granting of rights national in scope.").
[243] Community for Creative Non-Violence v. Reid, 490 U.S. 730 (1989)
[244] *Id.* at 740.

> law by broadly pre-empting state statutory and common-law copyright regulation. We thus agree with the Court of Appeals that the term 'employee' should be understood in light of the general common law of agency.[245]

National uniformity should thus be understood to be one of the basic purposes of the patent and copyright clause of the Constitution and one of the animating features of the Copyright Act. Since the passage of the 1976 Act, an underlying assumption of the copyright system (and, I dare say, of the copyright owners and users who have participated in the system) has been that the federal law provides a consistent, predictable, and uniform system for addressing copyright issues.

The propagation and enforcement of super-copyright clauses in vast numbers of consumer adhesion contracts conflicts with and stands as an obstacle to this predictable and uniform system. Although, in general, contract enforcement is and should be a matter of state law, super-copyright provisions threaten the uniformity principle of the Copyright Act and the copyright and patent clause of the Constitution sufficiently to justify preemption of state enforcement of those provisions.

The proliferation of super-copyright clauses in virtually every consumer adhesion contract violates the uniformity principle in at least three ways. First, if the enforcement of these adhesion contracts is determined solely as a matter of state law, there will, necessarily – and by design – be state-to-state variation in the enforcement of those provisions.[246] Second, the contracts containing super-copyright provisions vary (although nearly always in favor of the alleged copyright owner) in terms of the types of restrictions on fair use. And third, online adhesion contracts restricting fair uses of copyrighted works effectively create rights against the world, something that Congress has indicated is its province with respect to expressive works. Together, these three forms of variation result in a lack of uniformity regarding the acceptable boundaries of use of expressive works, something that the patent and copyright clause of the Constitution and the Copyright Act attempted to eliminate.

Contract law has historically been a matter of state law, and there are many good reasons for this: basic principles of federalism

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[245] *Id.* (citations omitted)

[246] This is, obviously, something that we like in many instances, and I certainly do not intend to suggest any wide-scale dismantling of the federal system here.

and the desire to create laboratories of law, for example.[247] As discussed in Part __, when and if challenges to the enforcement of super-copyright clauses arise, the state law doctrines likely to be invoked include: unconscionability, public policy, adhesion contract rules, and the formation rules. Each of these is a state law defense, and different states have different approaches to these questions.[248] Resolution of the question of enforceability of super-copyright clauses as a matter of state law will result in inconsistent results. That is, the same restriction on fair use may be valid and enforceable in one state and deemed unconscionable and a violation of public policy in another state. And a browsewrap contract may be enforced in one state and deemed not to have formed in another.[249]

In addition to varying by state in rule and emphasis, the formation doctrines tend to avoid substantive matters of the contract and are therefore not effective at policing terms.[250] For example, in *ProCD v. Zeidenberg*,[251] the Seventh Circuit, applying Wisconsin law, held that the Wisconsin version of the Uniform Commercial Code's (U.C.C.) battle of the forms provision[252] did not apply because there was only one form.[253] The defendant in *ProCD* argued that the contract formed before he had notice of the "terms in the box" and that, therefore, those terms were not part of the contract.[254] The Seventh Circuit rejected this argument,[255] but

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[247] There have also been serious moves away from diversity in the law of contracts. Most notably, some version of the Uniform Commercial Code has been enacted in every state out of a desire to create uniformity in commercial transactions, primarily as a result of the increased mobility of the population and goods and as a result of changes in technology. Notwithstanding the presence of the UCC, however, great variation in state contract law remains.

[248] *See infra* Part __.

[249] *See* Lemley, *Terms of Use*, *supra* note___, at ___.

[250] *See infra* Part __.

[251] 86 F. 3d 1447 (7th Cir. 1996)

[252] U.C.C. § 2-207.

[253] ProCD, 86 F. 3d at 1452 ("Our case has only one form; UCC § 2-207 is irrelevant."). *See also* Hill v. Gateway, Inc., 105 F.3d 1147, 1150 (7th Cir. 1997) ("[W]hen there is only one form, § 2-207 is irrelevant."). This position – that § 2-207 applies only to situations in which there is more than one form – is almost certainly wrong. *See* Thomas J. McCarthy et al., Survey: Uniform Commercial Code, 53 BUS. LAW. 1461, 1465-66 (a holding that UCC § 2-207 does not apply when there is just one form is inconsistent with the official comment). The official comment states that § 2-207 is intended to "deal with two typical situations," one of which is the circumstance "where an agreement has been reached either orally or by informal correspondence between the parties and is followed by one or both of the parties sending formal memoranda embodying the terms so far as agreed upon and adding terms not discussed." UCC § 2-207, off. comm. 1.

[254] ProCD, 86 F. 3d at 1450 ("Zeidenberg does argue, and the district court held,

other courts, applying the law of other states, have reached the opposite conclusion. In *Klocek v. Gateway*,[256] for example, the United States District Court for the District of Kansas – applying Kansas or Missouri law, without deciding which – held that U.C.C. section 2-207 did, in fact, apply in cases with just one form[257] and that there was no acceptance of the terms by the consumer and therefore no contract formation.[258]

In general, the state formation doctrines – both the common law rules governing offer and acceptance and U.C.C. section 2-207 – fail to account for the substantive terms of contracts and therefore cannot take into account the impact of the enforcement of the contracts on federal copyright policy. These cases thus present a good example of the ways in which state contract law cannot, and probably should not, address matters relating to federal copyright law. They also present a good example of the ways in which inconsistent state law can create a lack of uniformity in the federal copyright scheme. Shrinkwrap, browsewrap, and clickwrap contracts will be evaluated – on formation grounds – differently in different states, violating the fundamental uniformity principle embodied in the Copyright Act.

In addition, different contracts contain a variety of restrictions, resulting in inconsistency not just between jurisdictions but between various products or services within or among different jurisdictions. As described above in Part I, some super-copyright clauses are extremely restrictive, purporting to prohibit virtually all uses. Other provisions are somewhat looser, varying the baseline copyright rules to some extent, but in a limited way. Even though virtually all online contracts alter the

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that placing the package of software on the shelf is an 'offer,' which the customer 'accepts' by paying the asking price and leaving the store with the goods.").

[255] *Id.* at 1453 ("Zeidenberg has not located any Wisconsin case – for that matter, any case in any state – holding that under the UCC the ordinary terms found in shrinkwrap licenses require any special prominence, or otherwise are to be undercut rather than enforced.").

[256] 104 F. Supp. 2d 1332 (D. Kan 2000).

[257] *Id.* at 1339 (rejecting the *ProCD* and *Hill* reasoning and stating that "[d]isputes under § 2-207 often arise in the context of a 'battle of forms,' but nothing in its language precludes application in a case which involves only one form.") (citation omitted).

[258] *Id.* at 1341 ("The Court finds that the act of keeping the computer past five days was not sufficient to demonstrate that plaintiff expressly agreed to the Standard Terms. Thus, because Gateway has not provided evidence sufficient to support a finding under Kansas or Missouri law that plaintiff agreed to the arbitration provision contained in Gateway's Standard Terms, the Court overrules Gateway's motion to dismiss.") (citation omitted).

boundaries of fair use in favor of copyright owners, a consumer would have to read and understand each contract into which she has entered before knowing what types of otherwise fair uses were prohibited and which were permitted. Given the pervasiveness of super-copyright clauses, this variation in terms affects the uniformity goal set forth by the copyright and patent clause of the Constitution and the Copyright Act.

This state-to-state variation exists within and between industries. If you use United Airlines' website, you may have entered into a contract in which you agree to make only one copy of your itinerary.[259] On the other hand, if you use American Airlines' website, you may use the "document" (presumably the website) "for informational purposes only," and you must include a copy of the copyright notice.[260] Delta Airlines claims it owns *all* of the content on its website,[261] as does Alaska Airlines,[262] and both limit the use of that material.[263] Frontier Airlines, on the other hand, is much more circumspect and claims merely to have a copyright for its website.[264]

This kind of variation occurs in virtually every industry with a national presence.[265] Ordinarily, one might conclude that this kind of variation is exactly what federalism and the free market are meant to create. And ordinarily that would be the

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[259] http://www.united.com/page/article/0,6722,1003,00.html?jumpLink=%2Fterms ("You may download one copy of these materials on any single computer and print a copy of the materials for your use in learning about, evaluating, or acquiring United's services or products.") (last visited January 15, 2007).

[260] http://www.aa.com/content/footer/copyright.jhtml;jsessionid=G1YE02FZKHCY1EAJJM3U1DUQBFFT4VMD ("The document may be used for informational purposes only. The document may only be used for non-commercial purposes, any copy of this document or portion thereof must include this copyright notice.") (last visited January 15, 2007).

[261] http://www.delta.com/legal/terms_of_use/index.jsp ("All content on this Internet site is owned or controlled by Delta Air Lines and is protected by worldwide copyright laws. You may download content only for your personal use for non-commercial purposes, but no further reproduction or modification of the content is permitted.") (last visited January 15, 2007).

[262] http://www.alaskaair.com/www2/company/copyright.asp ("The information in this Web Site belongs exclusively to Alaska Air Group, Alaska Airlines, and Horizon Air Industries.") (last visited January 15, 2007).

[263] *Id.* ("Permission is hereby granted to download information from this site for viewing or printing. Any other uses of any of the information from this site require additional permission from Alaska Air Group, Alaska Airlines, and Horizon Air Industries.").

[264] http://www.frontierairlines.com/frontier/terms-of-use.do ("This Frontier Airlines website is Copyright© 2006, Frontier Airlines, Inc. All Rights Reserved.") (last visited January 15, 2007).

[265] *See supra* Part __.

correct conclusion. In this circumstance, however – that is, the situation in which consumer adhesion contracts consistently and nearly constantly restrict fair uses – this operation of the marketplace fails.

Finally, the existence and enforcement of super-copyright provisions conflicts with the uniformity principle by altering the scope of the property right granted by the Copyright Act. With the fair use provision, Congress has said, in essence: you, the copyright owner have a property right, a right against the world, in your expressive work, but that right does not extend to prohibiting fair uses. In this regard, super-copyright provisions stand as an obstacle to the achievement of a federal objective – that of establishing uniformity in the creation and enforcement of property-like rights in intangible works. Online adhesion contracts are not "private ordering." Instead, they operate to create rights against the world: with respect to whole classes of expressive materials, copyright owners have created property rights through adhesion contracts. In other words, super-copyright clauses have the effect of withdrawing from the public something that Congress has indicated belongs to the public. This effectively results in a private and state-endorsed creation of rights against the world.

Part IV – Why Courts Haven't Preempted Enforcement of Super-Copyright Provisions, and More on Why they Should

Accepting the fact that the Copyright Act does not speak clearly to the question of contracting around fair use, there are a variety of ways in which enforcement of super-copyright provisions "stands as an obstacle" to the achievement of federal purposes. Although it is impossible to conduct the analysis without making some normative judgments, preemption doctrine requires the court to engage in an interpretive task. That is, the court ought to try to determine the content of federal policies, purposes, and goals and then decide whether the enforcement of state law "stands as an obstacle" to those purposes or goals. If it does, the state law must be preempted.

As described above in Part II, however, courts have generally not preempted enforcement of super-copyright provisions. Several reasons for this have been suggested above. In this section I summarize the factors that have led to the current state of the law and conclude that those factors suggest additional reasons for preemption here.

Part IV(A) – Why Courts Haven't Preempted Super-Copyright Provisions

First, as suggested above in Part I, super-copyright provisions appear in nearly every online adhesion contract and nearly every online experience is conducted in connection with a clickwrap or a browsewrap agreement.[266] But most of the cases and the bulk of the academic commentary has focused on software licenses and database agreements,[267] probably because those raise the biggest financial issues and are therefore worth litigating. This focus on software makes fair use restrictions appear to be a specialized or *sui generis* problem. Upon reviewing hundreds of online contracts, however, what becomes starkly clear is that the effort to stifle fair uses is widespread, affecting nearly every person with a computer who engages in nearly every daily task. While many of these fair use restrictions may not currently be worth litigating, they create a variety of negative externalities that ought to be addressed.[268] In addition, the ubiquity of super-copyright provisions transforms them from instances of private ordering into exclusive rights against the world.[269] When seen as more than an industry-specific problem and udnerstood as creating rights against the world, the systematic limitation on fair uses implicates substantial federal policies.

Second, as described above, many courts substitute a purely policy-driven approach, or a rote reference to precedent, for an attempt at interpreting congressional intent.[270] This reference to policy issues is understandable in some ways: the language of the Copyright Act and its legislative history is maddeningly unclear. Most courts have not examined the implied preemption doctrines, relying instead on the "legislative disaster" that is section 301.[271] Even if understandable, however, this focus on pure policymaking and the failure to examine the implied preemption doctrines is inexcusable.

Third, the policy-driven debates have focused on issues surrounding contract law and theory. This is true of both courts (as exemplified by the *ProCD* case) and commentators.[272] On all

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[266] *See supra* Part I.
[267] *See supra* Part II. *See, e.g.*, Maureen O'rourke, *Drawing the Boundary Between Copyright and Contract: Copyright Preemption of Software License Terms*, 45 DUKE L.J. 479 (1995)
[268] *See supra* Part I(C).
[269] *See supra* Part I(C).
[270] *See supra* Part II.
[271] *See supra* Part II.
[272] Much of the academic literature focuses on the proscriptive questions, but this focus is much more justified than the courts' policymaking in this context.

sides of the debate, in fact, the focus has been on contract law. The "freedom of contract" camp, on the one hand, exalts private ordering as efficient and necessary in the digital age.[273] Those skeptical of "freedom of contract above all" also focus on contract law, relying primarily on state law doctrines to police the terms.[274]

Many commentators have addressed the policy issues relating to contracting around the Copyright Act. *See, e.g.*, Michael J. Meurer, *Copyright Law and Price Discrimination*, 23 CARDOZO L.REV. 55 (2001) (discussing the social welfare trade-offs associated with price discrimination); Niva Elkin-Koren, *Copyrights in Cyberspace – Rights Without Laws*, 73 CHI.-KENT L.REV. 1155 (1998) (examining the 'arguments supporting the supremacy of private ordering over a copyright regime . . . ").

[273] *See supra* Part __.

[274] The state law doctrines of unconscionability, public policy, and contracts of adhesion, along with the formation doctrines, have been put forward as capable of addressing the issues raised by super-copyright provisions. Because these state law doctrines focus – necessarily so – on state law issues, they are poorly positioned to address questions of federal policy. The doctrines of unconscionability and public policy generally require the court to ask whether the enforcement of the contract conflicts with *state* public policy. Many of the doctrines also focus primarily on procedural issues: whether there was "assent," whether the contract was presented fairly or unfairly, etc. Neither of these lines of inquiry is fruitful regarding the effect of contract enforcement on federal copyright policy. In addition, as described in Part __, *supra*, the state law contract doctrines overlay a problematic lack of uniformity in addressing the issue. Finally, many commentators and courts have suggested that the copyright misuse defense can play a vital role in managing the relationship between federal copyright policy and state contract law. *See, e.g.*, Mark Lemley, *Beyond Preemption*, *supra* note __, at 157-58 (1999) ("Furthermore, because copyright misuse is a fact-specific doctrine tailored to the circumstances of individual cases, it may prove a better tool both for tailoring copyright incentives and for avoiding the reticence that surrounds coarser tools such as preemption."); Neal Hartzog, *Gaining Momentum: A Review of Recent Developments Surrounding the Expansion of the Copyright Misuse Doctrine and Analaysis of the Doctrine in its Current Form*, 10 MICH. TELECOMM. & TECH. L. REV. 373, 376 (arguing that the copyright misuse doctrine "has become necessary in order to preserve the balance between intellectual property and effective competition."). I am, however, extremely doubtful that the copyright misuse doctrine is robust enough. Copyright misuse doctrine is in its infancy and has so far been applied only sparingly. In addition, it is primarily directed at combatting particularly egregious contracts. Given the widespread but diffuse and individually rather mundane problems presented by super-copyright provisions, copyright misuse is unlikely to play a role in policing the federal/state boundary in this regard. That is, the vast majority of online contracts are unlikely to be deemed examples of copyright misuse. Finally, courts are likely to be hesitant to employ the copyright misuse remedy: holding the copyright itself unenforceable during the period of misuse. *See, e.g., Lasercomb America v. Reynolds*, 911 F.2d 970, 979 n.22 (4th Cir. 1990) ("This holding . . . is not an invalidation of Lasercomb's copyright. Lasercomb is free to bring a suit for infringement once it has purged itself of the misuse."); Video Pipeline, 342 F.3d at 204 ("Misuse is not cause to invalidate the copyright or patent but instead 'precludes its enforcement during

Because super-copyright provisions implicate federal copyright policy, however, contract doctrines are destined to fall short. The result is a situation in which the impact of certain contract provisions on federal copyright law and policy is treated as a matter of state law and, more particularly, as an issue of contract law and theory. As I have suggested, the focus should be on the interpretive question of discerning congressional intent.

Finally, preemption has perhaps been rejected as too blunt or too activist a tool.[275] In this context, however, it is neither. Unlike many of the "rights restrictors,"[276] I have no quarrel with consumer adhesion contracts; nor do I here suggest any expansion of fair use or limitation of federal copyright rights. Instead, I emphasize the extent to which fair use has been restricted through contractual means and the effect that the enforcement of state law has on the values embodied in the Copyright Act. Preemption in this context neither expands nor contracts rights but instead is a mechanism that would preserve the balance between rights and defenses, between private ownership and public domain set forth in the Copyright Act. Just as Jason Mazzone stated with respect to copyfraud, my claim here is fairly modest: I argue not for changes in copyright law but for mechanisms to keep the current balance of rights within its designated limits.[277]

Part IV(B) – More on Why Courts Should Preempt Super-Copyright Clauses

Above I have discussed what has become the legal status quo: the proliferation and enforcement of super-copyright provisions. As a matter of federal policymaking structure, the status quo has resulted in a misallocation of copyright policymaking.[278] It has also allowed the burden of overcoming

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the period of misuse.'" (quoting Practice Mgmt Info. Corp., 121 F.3d at 520 n. 9).

[275] *See, e.g.*, Lemley, *supra* note___, at 150 (courts may "shy away" from applying conflicts preemption because of its "lack of nuance").

[276] *See* Nimmer, *supra* note___, at 945 (referring to "rights restrictors").

[277] I am paraphrasing Mazzone here. Mazzone, *supra* note __, at 1031 ("Instead of changing copyright law by reducing the rights of creators, this Article urges the development of mechanisms to keep those rights within their designated limits. A robust public domain can emerge by respecting and enforcing the copyright limits Congress has already set.").

[278] There is little literature on the structure of copyright policymaking. *But see* Joseph P. Liu, *Regulatory Copyright*, 83 N.C.L.Rev. 87, 88 (arguing that Congress has recently acted to remove some policymaking authority from the courts, engaging in more "complex and industry-specific" regulations that "allocate rights and responsibilities in a far more detailed manner."). In his article, Liu focuses "on the increasingly regulatory nature of United States

legislative inertia to rest with those least likely to be able to change the status quo – either in the courts or in Congress. Preemption here is a way to change this dynamic, reallocating copyright policymaking roles and providing for the possibility of a dialogue on this issue between the courts and Congress.

Part IV(B)(1) – Fair Use Policymaking

First, commentators are generally in agreement that, with the fair use provision, Congress intended to delegate a substantial amount of fair use policymaking to the courts.[279] As the fair use provision was codified along with the express preemption clause in the 1976 Act and at the same time that copyright was converted to an area of exclusive federal jurisdiction, it seems that the intent (and certainly the effect) was a delegation to the federal courts. Thus, although the courts are granted broad discretion with respect to fair use determinations, fair use remains the province of federal law and policy.

With courts generally acceding to nearly all contractual restrictions on fair use, however, the courts have abdicated their role as fair use policymakers in many situations. Along with the "clearance culture" in which individuals license various uses that might otherwise be deemed fair uses and copyright owners make overbroad assertions of copyright, the proliferation of super-copyright clauses will reduce the number and type of fair uses engaged in and, accordingly, the number of occasions on which courts will apply the fair use doctrine and engage in fair use analysis. To the extent that courts permit copyright owners to short circuit the process of fair use policymaking, fair use doctrine will fail to develop and adapt to new technologies, changing market conditions, and consumer behavior.[280]

Contractual restrictions on fair use are, I suggest, part of a trend toward limiting or eliminating fair use altogether. This trend has been initiated by private entities, but the courts and Congress are complicit in it, at least in part, by permitting private entities to decide what uses may be made of copyrighted works. The

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copyright law and the implications of this change for existing legal institutions." *Id*. at 90. *See also* Timothy Wu, *Copyright's Communications Policy,* 103 Mich. L.Rev. 278 (November 2004). Notwithstanding these significant contributions, this appears to be an area that is undertheorized. I do not attempt that work here, but I do draw some preliminary conclusions.

[279] *See supra* Part __. *See also* Sag, *supra* note___, at 396 ("Fair use in the mechanism by which Congress transferred significant policymaking power to judges in order to allow copyright to adapt to ongoing social and technological change more effectively than a purely legislative response would allow.").

[280] *See supra* Part __.

Copyright Act outlines the kinds of uses that might be deemed fair and provides a structure (problematic as it may be) for courts to engage in fair use policymaking.[281] By routinely enforcing super-copyright provisions, courts are ultimately abdicating their fair use policymaking role. Permitting copyright owners to dictate fair use policy is consistent neither with the structure and intent of the Copyright Act, nor with principles of institutional competence and allocation. That is, courts should be making fair use determinations and allowing the doctrine to evolve, and courts are better suited than copyright owners to draw the line between fair uses (to correct market failure, to protect speech concerns) and unfair uses (that have pernicious effects on the market or otherwise usurp the legitimate rights of copyright owners). However little the members of Congress understood or agreed upon the fair use provision, copyright's policymaking structure supports the notion that courts rather than private entities ought to be making fair use determinations.

Part IV(B)(2) – Policymaking and Contracting Around the Copyright Act

Unlike the structure of fair use policymaking, which points to courts as the primary institutional actor, policymaking authority for "contracting around" the Copyright Act appears to rest primarily with Congress. As described above, Congress has in many cases indicated whether certain provisions of the Act are default rules or are nonwaivable.[282] Congress has thus already asserted its policymaking authority in this regard, but it has – in essence – not completed the task. That is, for some sections of the Copyright Act, it is clear whether contracting around is acceptable. For a number of other provisions, Congress has not indicated whether contracting around is never, sometimes, or always acceptable. By deciding this question themselves with respect to fair use, the courts have usurped some congressional authority and, at the same time, have let Congress off the hook, allowing it to avoid making the decision regarding the propriety of contracting around fair use.

As described above, courts have tended to ignore or give short shrift to the interpretive task demanded by the express and implied preemption doctrines.[283] *ProCD* embodies this primarily policy-driven approach, and virtually all courts to examine the issue since have cited *ProCD* and similarly failed to engage in the

[281] *See supra* Part __.
[282] *See supra* Part __.
[283] *See supra* Part ___.

interpretive task. Also following the *ProCD* path, most courts have sidelined the implied preemption doctrines. While understandable given the opacity of federal copyright policy regarding contracting around fair use, the substitution of a purely policy-driven approach or a minimal citation to precedent for the more difficult task of interpretation is consistent neither with the doctrine nor with the court's role in the copyright policymaking structure.

By addressing super-copyright clauses as primarily an issue of contract law and policy, and by generally not acknowledging the ways in which those provisions may affect copyright policy, courts have taken it upon themselves to exercise policymaking authority with respect to contracting around the fair use provision, authority that more properly rests with Congress.

Part IV(B)(3) – Allocating the Burden of Overcoming Legislative Inertia

One could argue that preemption is an activist or radical move, and courts and commentators have been hesitant to employ preemption doctrine because of its blunt nature. But in this context – addressing widespread contractual restrictions on fair use in adhesion contracts – preemption would be a deferential step that acknowledges the structure of copyright policymaking and emphasizes the respective institutional roles of the federal courts and Congress in that structure. If a court were to address a restriction on fair use in an adhesion contract, deem it to be the equivalent of a "right against the world" that conflicts with some of the policies of the Copyright Act, and acknowledge that Congress has not made it clear the extent to which (and the circumstances under which) contracting around the fair use provision is acceptable, and then preempt enforcement of that provision, that decision would be a signal to Congress that it is the institutional actor responsible for exercising this policy choice. Thus preemption here defers to, rather than usurps, Congress' authority on this matter.

I have described the legal status quo above, and it has become just that: an entrenched pattern. One could argue that Congress' failure to respond to the status quo indicates its acquiescence.[284] In this circumstance, however, congressional silence whould not be interpreted as particularly meaningful. The "losers" under the current status quo – mostly a diffuse group of

[284] On the difficulties of drawing conclusions from congressional silence, *see* Lawrence H. Tribe, *Toward a Syntax of the Unsaid: Construing the Sounds of Congressional and Constitutional Silence*, 57 IND. L.J. 515 (1982).

users and consumers, each individually affected only in a minor way – are unlikely to have the incentives and resources to bring the issues to the attention of Congress. Conversely, however, if the Supreme Court were to preempt enforcement of super-copyright provisions, the new "losers" (copyright owners, primarily) would be much better situated to overcome the legislative inertia.

That is why preemption here "need not be final." That is, if copyright owners object to the preemption ruling, they may go to Congress and seek legislation reversing the decision. In other words, from a public choice perspective, perhaps those actors with greater political power (copyright owners) ought to bear the burden of convincing Congress that contracting around fair use is consistent with copyright policy. The "losers" under the status quo simply do not have the cohesiveness or political power that the copyright owners do.

Conclusion

I have argued that preemption is the appropriate tool to address the conflict between state law and federal law that has arisen with the widespread adoption of super-copyright clauses in nearly every online contract. Preemption has been rejected by many judges and commentators as too blunt and too extreme a solution. In the context of online adhesion contract terms limiting fair use, however, preemption is neither radical nor overbroad.

In fact, arguing for preemption here is quite a modest claim. First, preempting all fair use restrictions in all adhesion contracts does nothing more than leave fair use as it is and as described in the Copyright Act. Preemption in this context does not broaden fair use, nor does it restrict any rights of copyright owners as defined in the Act. Second, preemption of super-copyright clauses would be an explicit acknowledgement of the appropriate institutional and structural roles of the courts and Congress with respect to copyright policy generally and fair use in particular. If super-copyright clauses were preempted (and particularly if it is done with the recognition of the appropriate policymaking roles of the courts and Congress, the preemption decision is hardly the end of the story. Congress may well respond, and preemption would merely be part of the dialogue between Congress and the courts.[285] In this way, preemption is in some sense a deferential move and certainly more deferential than

[285] Friedman, *Constitutional Dialogue*, ("Congress is free to disagree with the Court. The members of Congress are free to, and usually do, disagree with one another. As disagreement occurs, the document will take on new meaning.")

the normative gloss applied by many courts in approaching the question of the appropriate relationship between state contract law and federal copyright law.

To be sure, arguing for preemption is something of an uphill battle. In this context, both the statute and the legislative history are unclear, preemption of state contract law is rare and cuts against the widely-shared norm of freedom of contract, and preemption would disrupt a fairly well-established business practice. Each of these arguments, however, can be turned on itself: the lack of clarity of the statute calls for congressional action rather than judicial policymaking; freedom of contract is an elusive concept in the context of shrinkwrap, clickwrap, and – especially – browsewrap contracts; and the "fairly well-established business practice" is one that is in some ways at odds both with freedom of contract in any real sense and with at least some of the norms of copyright law.

In this article, I have suggested that courts ought not elevate their policy perspectives above the effort to determine the content of federal policy and congressional intent. But what the arguments above indicate quite clearly is that congressional policy regarding the status of the fair use exception within the copyright system is in flux and unclear. The discussion above also indicates that it is Congress, rather than the courts, or the states, or private parties, that ought to make the complicated policy calculation, balancing numerous factors, about whether fair use is a default provision or is, instead, a more fundamental aspect of the Copyright Act and of the federal intellectual property system in general. Preemption just might be part of this process.