Chihuahuas, Seventh Circuit Judges, and Movie Scripts, Oh My: Copyright Preemption of Contracts to Protect Ideas

Samuel M. Bayard

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NOTE

CHIHUAHUAS, SEVENTH CIRCUIT JUDGES, AND MOVIE SCRIPTS, OH MY!: COPYRIGHT PREEMPTION OF CONTRACTS TO PROTECT IDEAS

Samuel M. Bayard†

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In this Note, the author examines the question of when § 301 of the Copyright Act preempts contract claims involving idea submissions. The author examines two opposing views on the issue presented by the case law: namely, (1) that courts should virtually never preempt contract claims because contract rights and copyright rights are fundamentally different, and (2) that courts should make a fact-specific inquiry regarding the particular contract and preempt a claim if the defendant breaches the contract by merely performing an act reserved to a copyright owner in § 106 of the Copyright Act. According to the author, these opposing views are the result of the courts' disagreement over the meaning of 17 U.S.C. § 301, which states that rights "equivalent" to those within the general scope of copyright "are governed exclusively by this title." The author argues that neither approach convincingly refutes the other and proposes an alternative, policy-based framework for analyzing contract preemption under 17 U.S.C. § 301. The author suggests that, when confronted with a contract claim involving a defendant who has breached the contract in question by performing an act reserved to the copyright owner under § 106, courts should preempt contract claims when the creator-author has expressed her idea in a commercially distributed tangible medium of expression, and they should not preempt contract claims when the creator-author has yet to disclose or sell the idea to the public in such a form.

INTRODUCTION

Neither man [nor woman] nor nation can exist without a sublime idea.

—Fyodor Dostoyevsky

United States copyright law does not protect ideas, but rather the expression of ideas;¹ in other words, "ideas . . . become, after voluntary communication to others, free as the air to common use."² This idea/expression dichotomy³ presents a special problem for a person who "creates only an idea, not literary property, or who having created literary property finds that only his idea and not its 'expression' has been borrowed."⁴ The classic "idea-person"⁵ is someone with an idea for a film who submits this idea to a movie producer in hope of remu-

¹ 17 U.S.C. § 102(b) (1994) ("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."); MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 16.01 (2000), LEXIS, Secondary Legal: Matthew-Bender Treatises & Materials: Intellectual Property.


⁴ NIMMER & NIMMER, supra note 1, § 16.01.

⁵ Commentators have used the term "idea-man" in scholarship on the protection of ideas. See, e.g., NIMMER & NIMMER, supra note 1, § 16.01; David M. McGovern, What Is Your
neration, but the case law also involves idea proposals for board games, advertising schemes, and even natural-language search capabilities for legal research databases. The important legal issues arise when an idea-person believes that an idea-recipient has stolen an idea from a proposal and used it to make money.

Because of the idea/expression dichotomy, copyright law provides little help to the idea-person who seeks to protect her ideas from theft or copying. Accordingly, creator-authors have looked to state contract law to protect their ideas. Under the express contract theory of idea protection, an idea-person has an enforceable contract and may sue for damages if the idea-recipient expressly promises to pay for an idea if it is used. The implied-in-fact contract theory of idea protection is essentially no different from the express theory; properly understood, an implied-in-fact contract "differs from an express contract only in that the consent of the parties is expressed by conduct rather than words." Accordingly, "a contract will be implied in fact when the parties clearly intended payment to the extent of the use of the plaintiff's idea, though they did not set forth that intention in

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6 See McGovern, supra note 5, at 475-77; see also, e.g., Selby v. New Line Cinema Corp., 96 F. Supp. 2d 1053 (C.D. Cal. 2000) (involving a screenplay and idea submission for a movie entitled "Doubletime").

7 See, e.g., Vantage Point, Inc. v. Parker Bros., Inc., 529 F. Supp. 1204, 1218 (E.D.N.Y. 1981) (denying relief to plaintiff alleging theft of board game idea on grounds that claim was time barred), aff'd sub nom. Vantage Point, Inc. v. Milton Bradley Co., 697 F.2d 301 (2d Cir. 1982).

8 See, e.g., Katz Dochrermann & Epstein, Inc. v. HBO, No. 97 CIV. 7763 (TPG), 1999 WL 179603, at *4 (S.D.N.Y. Mar. 31, 1999) (declining to preempt a contract claim for protection of advertising campaign ideas); G.D. Searle & Co. v. Philips-Miller & Assocs., 836 F. Supp. 520, 526 (N.D. Ill. 1993) (holding a misappropriation claim preempted when the claim was based on the alleged theft by drug manufacturer of ideas for a marketing scheme).

9 See, e.g., Canter v. West Publ'g Co., 31 F. Supp. 2d 1193 (N.D. Cal. 1999) (withdrawn from the bound volume at the request of the court) (granting summary judgment against plaintiff alleging that West Publishing misappropriated its idea for "QueryMate").

10 See supra notes 1-4 and accompanying text; infra notes 215-19 and accompanying text.

11 Cf. Glen L. Kulik, The Idea Submission Case: When Is an Idea Protected Under California Law?, 32 BEVERLY HILLS B. ASS'n J. 99, 104 (1998) (surveying the various possible theories of idea protection and concluding that "[r]emaining as viable theories are breach of express contract, breach of implied-in-fact contract, breach of confidence, and breach of confidential relationship, all of which are based on the relationship of the parties rather than ownership of property rights"); Lionel S. Sobel, The Law of Ideas, Revisited, 1 UCLA Ent. L. Rev. 9, 21 (1994) ("It is now clear, however, that in virtually all cases, idea protection will be available as a matter of express or implied contract law, though in rare cases a plaintiff may have to resort to a confidential relationship theory.").


13 Id. § 16.05 (citing Weitzkorn v. Lesser, 256 P.2d 947, 959 (Cal. 1953)).
express language." Courts find an intent to contract from the relationship of the parties, the circumstances of the submission, and the parties' conduct. Courts also find implied-in-fact contracts based on industry custom: that is, the plaintiff may establish the existence of an implied-in-fact contract if he can show that people in the idea-recipient's line of work generally pay for ideas received if they use them.

Courts have placed many obstacles in the path of the idea-person seeking protection under a contract theory. For example, some courts continue to require ideas to be "novel" and "concrete" before garnering protection, even when the parties contract for disclosure regardless of novelty. Two further obstacles to contract-based protection of ideas are the statute of frauds and preemption. While the statute of frauds is beyond the scope of this Note, preemption is its central focus.

Prior to 1976, federal copyright preemption posed no serious threat to contracts to protect ideas because these contracts generally pertained to unpublished expressive materials, and federal copyright law left regulation of unpublished materials to state law. After 1976, § 301 of the Copyright Act raised the specter of preemption for any state law claims that vindicate "legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of

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15 See NIMMER & NIMMER, supra note 1, § 16.05[A]-[D].
16 Markogianis v. Burger King Corp., No. 95 CIV. 4627 (JFK), 1997 WL 167113, at *5-6 (S.D.N.Y. Apr. 8, 1997) (stating that "[i]ndustry custom can create an implied-in-fact contract between the parties, resulting in the requisite legal relationship needed to support a misappropriation claim"); McGhan v. Ebersol, 608 F. Supp. 277, 285 (S.D.N.Y. 1985) ("An implied-in-fact contract may be based upon industry custom or usage regarding submission and use of ideas."). But see Sobel, supra note 11, at 44-46 (questioning whether "there actually exists any industry custom to pay for ideas" (emphasis omitted)).
18 NIMMER & NIMMER, supra note 1, § 16.04.
19 See generally id., § 16.04[B] (arguing that statute of frauds problems with respect to contracts to protect ideas should not generally be claim-killing burdens).
20 The House Report accompanying the 1976 revisions to the Copyright Act explains:

Section 301, one of the bedrock provisions of the bill, would accomplish a fundamental and significant change in the present law. Instead of a dual system of "common law copyright" for unpublished works and statutory copyright for published works, which has been the system in effect in the United States since the first copyright statute in 1790, the bill adopts a single system of Federal statutory copyright from creation.

This Note tackles the question of when copyright law should preempt contract claims involving idea submissions. The case law presents two opposing views on this issue. The first view, represented by Seventh Circuit Judge Easterbrook’s opinion in ProCD, Inc. v. Zeidenberg, contends that courts should virtually never preempt contract claims because contract rights and copyright rights are fundamentally different. The second view, represented in Endemol Entertainment B.V. v. Twentieth Television Inc., Wrench LLC v. Taco Bell Corp., and Selby v. New Line Cinema Corp., suggests that courts should make a fact-specific inquiry regarding the particular contract in question. Under the latter view, if a contract merely forbids an action reserved exclusively to a copyright owner under the Copyright Act, then courts should preempt a claim brought to enforce that contract. After surveying these conflicting approaches, this Note concludes that the “extra element” test, which courts currently apply, is an insufficient vehicle for determining whether copyright law should preempt contract claims involving promises not to use an idea without payment. This Note proposes an alternative policy-based framework for analyzing contract preemption under 17 U.S.C. § 301.

Part I of this Note provides background on copyright preemption, examining the subject matter requirement and the general scope requirement in particular. Part II examines the courts’ conflicting approaches to copyright preemption of contract claims, specifically addressing the general scope prong of the extra element test.

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22 E.g., Sparaco v. Lawler, Matusky, Skelly Eng’rs, LLP, 60 F. Supp. 2d 247, 258 (S.D.N.Y. 1999). Judge McMahon noted:
There is a split among my brothers and sisters in the District Court as to whether a breach of contract claim can never be preempted, because the promise inherent in every contract automatically provides the “extra element”; or whether a promise alone is insufficient to save a breach of contract claim that asserts only that defendants did something that is reserved to the holder of a copyright.
Id. (citations omitted).
23 86 F.3d 1447 (7th Cir. 1996).
24 Id. at 1454.
Part III examines § 301 and its legislative history and explains why the current preemption test results in a logical impasse. Finally, Part IV focuses on copyright policy and suggests a framework for courts to follow in augmenting the § 301 preemption test.

As a result of this policy-based analysis, this Note suggests that courts should draw a distinction between contract claims based on whether the creator-author expresses his idea in (1) a commercially distributed tangible medium of expression, or (2) a tangible medium of expression that has yet to be disclosed or sold to the public in any form. This Note concludes that courts should preempt contract claims involving the former if the breaching action is an act normally reserved to a copyright owner. Courts should not preempt contract claims involving the latter even if the breaching action is an act normally reserved to a copyright owner.

I
COPYRIGHT PREEMPTION IN GENERAL

When Congress enacted the Copyright Act of 1976,30 it created a single federal copyright system for both published and unpublished works and took from the states the power to protect intellectual property through common law copyright.31 As part of this objective, Congress enacted § 301,32 which provides for copyright preemption of state law.33 This statutory provision tends to simplify preemption analysis:

Courts grappling with the tension between federal and state law may apply various tests to determine whether the Supremacy Clause requires pre-emption of state law. In the context of copyright, however, Congress has acted in explicit terms to pre-empt various state laws through Section 301 of the Copyright Act of 1976. Because of the existence of Section 301, in order to determine whether state law may grant protection to works of authorship, the courts usually need not gauge whether the federal interest in this field is dominant, whether the field of federal regulation is sufficiently comprehensive to raise an inference of intent to pre-empt, or whether any of the other pre-emption tests apply; rather, in general the courts may simply turn to the explicit statutory language.34

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34 Nimmer & Nimmer, supra note 1, § 1.01[B] (footnotes omitted).
Notwithstanding this simplification, if a state law claim successfully survives § 301 analysis, courts should perform constitutional preemption analysis.35

Section 301 provides for preemption of state law claims that seek to vindicate rights "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."36 Courts have derived a two-prong test from this statutory language: § 301 preempts a state law claim if

(i) the state law claim seeks to vindicate "legal or equitable rights that are equivalent" to one of the bundle of exclusive rights already protected by copyright law under 17 U.S.C. § 106—styled the "general scope requirement"; and (ii) the particular work to which the state law claim is being applied falls within the type of works protected by the Copyright Act under Sections 102 and 103—styled the "subject matter requirement."37

A. The Subject Matter Requirement

The first prong of § 301 preemption analysis—the subject matter requirement—is satisfied if the subject of the plaintiff's state-law claim

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35 See Maureen A. O'Rourke, Drawing the Boundary Between Copyright and Contract: Copyright Preemption of Software License Terms, 45 Duke L.J. 479, 535 (1995) ("Therefore, regardless of the applicability of § 301, a court might set aside as constitutionally preempted a licensing scheme that frustrates the Act's overall objectives by contractually prohibiting the licensee from engaging in uses that would otherwise be sanctioned by the fair use provisions of the Act."); see also Mark A. Lemley, Beyond Preemption: The Law and Policy of Intellectual Property Licensing, 87 Cal. L. Rev. 111, 141-42 (1999) (noting the possibility that copyright preemption may occur, in addition to instances under § 301, when state law enforces a contract that conflicts with federal copyright law or policy).

This two-tiered analysis—first statutory, then constitutional—flows naturally from the notion that compliance with a statute, even one that Congress promulgates, cannot cure underlying conflict with the Constitution. Cf. Marbury v. Madison, 5 U.S. (1 Cranch) 137, 177 (1803) ("It is a proposition too plain to be contested, that the constitution controls any legislative act repugnant to it... "). Conflict preemption is beyond the scope of this Note. For an interesting discussion of conflict preemption, see David Nimmer et al., The Metamorphosis of Contract into Expand, 87 Cal. L. Rev. 17, 58 (1999), which argues that a shrinkwrap license that purports to protect contractually uncopyrightable factual material should be preempted on conflict preemption grounds.


“fall[s] within the ambit of copyright protection” as defined by § 102 and § 103 of the Copyright Act. Section 102 provides that copyright protection adheres “in original works of authorship fixed in any tangible medium of expression . . . from which can they be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” Additionally, § 102 specifies that copyright protection does not extend to any “idea, procedure, process, system, method of operation, concept, principle, or discovery.”

The subject matter requirement implicates two fundamental questions in idea cases. First, courts ask whether the idea that the plaintiff seeks to protect is “fixed in a tangible medium of expression.” Under § 101 of the Copyright Act, “[a] work is ‘fixed’ in a tangible medium of expression when its embodiment in a copy . . . , by or under the authority of the author, is sufficiently permanent and stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.” An important consequence of this requirement is that a plaintiff who discloses an idea that is not embodied in writing or any other tangible medium will avoid copyright preemption of her state law contract claim. Consequently, the general scope requirement issues discussed in the remainder of this Note have no application when a contract claim involves disclosure of an idea not fixed in a tangible medium of expression. However, many creator-authors embed their ideas in tangible media, such as in film treatments or advertising storyboards.

The second question is whether ideas contained within a tangible medium of expression are within the “subject matter of copyright as

38 Nat’l Basketball Ass’n, 105 F.3d at 848 (alteration in original) (quoting Harper & Row, 723 F.2d at 200).
39 17 U.S.C. § 102(a). Section 103 specifically provides that compilations and derivative works fall within the subject matter of copyright. Id. § 103(a).
40 Id. § 102(b).
41 Id. § 301(a); see, e.g., G.D. Searle & Co. v. Philips-Miller & Assocs., 836 F. Supp. 520, 524 (N.D. Ill. 1993).
43 PAUL GOLDSTEIN, COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES: CASES AND MATERIALS ON THE LAW OF INTELLECTUAL PROPERTY § 15.2.2 (4th ed. 1997) (explaining that “[t]he House Report gives several examples of unfixed works that may be protected by state law” and citing as examples “choreography that has never been filmed or notated, an extemporaneous speech, “original works of authorship” communicated solely through conversations or live broadcasts, and a dramatic sketch or musical composition . . . developed from memory and without being recorded or written down” (quoting H.R. REP. No. 94-1476, at 131 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5747)).
44 See, e.g., Katz Docherrmann & Epstein, Inc. v. HBO, No. 97 CIV. 7763 (TPG), 1999 WL 179603, at *1 (S.D.N.Y. Mar. 31, 1999) (involving sample print ads, storyboards, and advertising copy); Smith v. Weinstein, 578 F. Supp. 1297, 1300 (S.D.N.Y.) (involving film treatments and full length script), aff’d, 738 F.2d 419 (2d Cir. 1984).
specified by sections 102 and 103."\(^{45}\) One may argue that because copyright law protects only "works of authorship"\(^{46}\) (i.e., the particular expression of ideas) and not ideas themselves,\(^{47}\) only works of authorship constitute the subject matter of copyright law for purposes of § 301.\(^{48}\) Following this logic, which equates subject matter for purposes of protection with subject matter for purposes of preemption, Professor Goldstein writes, "[a] consequence, section 301 allows states to protect ideas, procedures, processes and methods, whether or not they appear in the context of otherwise copyrightable works."\(^{49}\) If courts followed Goldstein’s approach, the general scope issues treated below would be superfluous because no contract claim relating to ideas would satisfy the subject matter prong.

In fact, however, courts have reached the opposite conclusion, holding that ideas fixed in a tangible medium of expression are within the subject matter of copyright law for the purposes of preemption.\(^{50}\) As one court aptly stated, "the shadow actually cast by the Act’s preemption is notably broader than the wing of its protection."\(^{51}\) Thus, courts respect the integrity of Congress’s decision to protect certain

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\(^{45}\) 17 U.S.C. § 301(a).
\(^{46}\) Id. § 102(a).
\(^{47}\) Id. § 102(b).
\(^{48}\) Goldstein, supra note 43, § 15.2.3.
\(^{49}\) Id.
\(^{50}\) See, e.g., Nat'l Basketball Ass'n v. Motorola Inc., 105 F.3d 841, 849 (2d Cir. 1997) ("Copyrightable material often contains uncopyrightable elements within it, but Section 301 preemption bars state law misappropriation claims with respect to uncopyrightable as well as copyrightable elements."); Selby v. New Line Cinema Corp., 96 F. Supp. 2d 1053, 1058-59 (C.D. Cal. 2000) (finding ideas for a movie to be within the subject matter of copyright for preemption purposes); Wrench LLC v. Taco Bell Corp., 51 F. Supp. 2d. 840, 849 (W.D. Mich. 1999) (agreeing with previous determination that plaintiff’s claim for breach of contract with respect to an idea for a television commercial fell within the subject matter of copyright for preemption purposes); Katz Dochrermann & Epstein, Inc. v. HBO, No. 97 CIV. 7763 (TPG), 1999 WL 179603, at *3 (S.D.N.Y. Mar. 31, 1999) (finding that copyrightable storyboards, sample print ads, and musical recordings, as well as the marketing idea that underlies these tangible forms, fall within the subject matter of copyright for preemption purposes); Endemol Entm't B.V. v. Twentieth Television Inc., 48 U.S.P.Q.2d 1524, 1526 (C.D. Cal. 1998) ("Even though the ideas embodied in a work covered by the Copyright Act fall outside copyright protection, this does not mean that they fall outside the Act's scope regarding its subject matter . . . ."); Markogianis v. Burger King Corp., No. 95 CIV. 4627 (JFK), 1997 WL 167113, at *2 (S.D.N.Y. Apr. 8, 1997) ("[E]ven if Plaintiff did plead that portions of the SMARTEN-UP concept consist of uncopyrightable material which the Defendant misappropriated, those portions do not take the work as a whole outside the subject matter protected by the Copyright Act.").

\(^{51}\) United States v. Berge v. Bd. of Trs. of the Univ. of Ala., 104 F.3d 1453, 1463 (4th Cir. 1997). The House Report accompanying § 301 makes a similar point:

As long as a work fits within one of the general subject matter categories of sections 102 and 103, the bill prevents the States from protecting it even if it fails to achieve Federal statutory copyright because it is too minimal or lacking in originality to qualify, or because it has fallen into the public domain.

forms of intellectual property while refusing to protect others.\textsuperscript{52} States are not “free to expand the perimeters of copyright protection to their own liking,” thus nullifying the practical bite of federal preemption.\textsuperscript{53} In sum, courts generally agree that when a plaintiff submits an idea fixed in a tangible medium of expression, his contract claim at least falls within the subject matter of copyright law for preemption purposes.

B. The General Scope Requirement

The second prong of § 301 preemption analysis—the general scope requirement—is satisfied “when the state law rights asserted by the plaintiff are equivalent to any of the exclusive rights within the scope of copyright law”\textsuperscript{54} as provided by § 106. Section 106 grants to the copyright owner the exclusive rights of reproduction, preparation of derivative works, distribution, performance, and display (including the right to authorize others to perform these actions).\textsuperscript{55} In other words, § 301 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” found in § 106.\textsuperscript{56}

Under the general scope requirement, courts often apply what is known as the “extra element” test.\textsuperscript{57} In applying this test, “if an ‘extra element’ is ‘required instead of or in addition to the acts of reproduction, performance, distribution or display, in order to constitute a state-created cause of action, then the right does not lie ‘within the general scope of copyright,’ and there is no preemption.”\textsuperscript{58} Stated


\textsuperscript{56} Computer Assocs. Int’l, Inc. v. Altai, Inc., 982 F.2d 693, 716 (2d Cir. 1992); see also Wrench LLC v. Taco Bell Corp., 51 F. Supp. 2d 840, 850 (W.D. Mich. 1999) (“When a right defined by state law may be abridged by an act which, in and of itself, would infringe one of the exclusive rights, the state law in question must be deemed preempted.” (quoting Harper & Row, 723 F.2d at 200)).

\textsuperscript{57} See infra notes 58-59 and accompanying text.

\textsuperscript{58} Computer Assocs., 982 F.2d at 716 (quoting NIMMER & NIMMER, supra note 1, § 1.01[B]); see also Worth v. Universal Pictures, Inc., 5 F. Supp. 2d 816, 821 (C.D. Cal. 1997); Hogan v. DC Comics, No. 96-CV-1749, 1997 WL 570871, at *5 (N.D.N.Y. Sept. 9, 1997); Markogianis v. Burger King Corp., No. 95 CIV. 4627 (JFK), 1997 WL 157113, at *3 (S.D.N.Y. Apr. 8, 1997); see also GOLDSTEIN, supra note 43, § 15.2.1.2, at 805 (“Courts generally hold that a state right is not equivalent to copyright, and thus is not subject to preemption, if the state cause of action contains an operative element that is absent from the cause of action for copyright infringement.”).
differently, courts require a state law cause of action to be "qualitatively different" from a copyright infringement action in order to survive preemption. In contrast to the subject matter requirement, the general scope requirement, as applied through the extra element test, creates considerable difficulty for courts performing § 301 analysis on contract claims.

II
DIFFERENT APPROACHES TO THE GENERAL SCOPE REQUIREMENT

Courts, both within and without the specific realm of idea law, disagree over the application of § 301's general scope requirement to contract claims. They generally agree that most contract claims should survive preemption because, under most sets of facts, the alleged contract-breaching action is something other than an unauthorized exercise of one of the copyright owner's exclusive copyright rights, and thus the contract claim is clearly not "equivalent" to an infringement action. However, some courts hold that § 301 virtually never preempts contract claims because of the contractual relationship itself, while other courts contend that a contract does not provide an extra element if the contract merely prohibits the performance of an act reserved exclusively to the copyright holder. This disagreement

59 Wharton v. Columbia Pictures Indus., 907 F. Supp. 144, 145 (D. Md. 1995) (internal quotation marks omitted) (quoting Rosciszewski v. Arete Assocs., Inc., 1 F.3d 225, 230 (4th Cir. 1993)); see also, e.g., Wrench, 51 F. Supp. 2d at 850 ("Conversely, when a state law violation is predicated upon an act incorporating elements beyond mere reproduction or the like, the rights involved are not equivalent and preemption will not occur." (quoting Harper & Row, 725 F.2d at 200)).

60 See supra Part I.A.

61 O'Rourke, supra note 35, at 519 ("Courts have had some difficulty in interpreting [the general scope] requirement.")

62 Id. at 518-19.


64 Nimmer et al., supra note 35, at 46 ("That doctrinal result is as it should be: the vast majority of copyright contracts easily withstand muster under section 301 because the breach alleged amounts to more than reproduction, distribution, etc., of a copyrighted work." (emphasis added)).

is particularly important for contract claims regarding idea submissions, because the ordinary idea contract will forbid the use of an idea without compensation. "Use" in this context is analogous to reproduction of the idea or preparation of a derivative work based on the idea, and § 106 reserves both of these actions exclusively to a copyright holder.66

A. Judge Easterbrook's Approach

In ProCD, Inc. v. Zeidenberg,67 Judge Easterbrook, writing for the Seventh Circuit, held that § 301 virtually never preempts contract claims because "a simple two-party contract is not 'equivalent to any of the exclusive rights within the general scope of copyright.'"68 As one commentator put it, Judge Easterbrook adopted the position that, for preemption purposes, "contracts are different."69

The plaintiff in ProCD was the creator and distributor of CD-ROM discs that contained a factual compilation of business and residential listings, "includ[ing] full names, street addresses, telephone numbers, from a claim for copyright infringement: a promise by the defendant." (citation omitted)); Trenton v. Infinity Broad. Corp., 865 F. Supp. 1416, 1429 (C.D. Cal. 1994) ("[I]n terms of preemption, the contract-based causes of action do allege more than the unauthorized use of a copyrighted work. They also claim that there has been a breach of an underlying contract between the parties based on plaintiff’s ideas for Loveline."); Smith v. Weinstein, 578 F. Supp. 1297, 1307 (S.D.N.Y.) ("A party may by contract agree to pay for ideas, even though such ideas could not be protected by copyright law. Rights under such an agreement are qualitatively different from copyright claims.") aff’d, 738 F.2d 419 (2d. Cir. 1984), with Tavormina v. Evening Star Prods., Inc., 10 F. Supp. 2d 729, 734 (S.D. Tex. 1998) ("[T]he claim is preempted insofar as Plaintiffs allege that Defendants breached their contract by not compensating Plaintiffs for displaying a copy of their house in the film."); Worth v. Universal Pictures, Inc., 5 F. Supp. 2d 816, 821-22 (C.D. Cal. 1997) (incorrectly equating an implied-in-fact contract claim regarding ideas contained in a screenplay with a quasi-contract claim); Am. Movie Classics v. Turner Entm’t Co., 922 F. Supp. 926, 981 (S.D.N.Y. 1996) ("[A] breach of contract claim is preempted if it is merely based on allegations that the defendant did something that the copyright laws reserve exclusively to the plaintiff (such as unauthorized reproduction, performance, distribution, or display."); Wharton v. Columbia Pictures Indus., 907 F. Supp. 144, 145-46 (D. Md. 1995) (holding preempted a breach of contract claim involving an idea for a movie because it established rights that were "equivalent" to the preparation of derivative works); Wolff v. Inst. of Elec. & Elecs. Eng’rs., Inc., 768 F. Supp. 66, 69 (S.D.N.Y. 1991) ("In the case at bar, IEEE breached its contract with plaintiffs, embodied in the stock photo invoice, by infringing plaintiffs’ copyright. It is difficult to see how the resulting claims are qualitatively different. Accordingly the breach of contract claim is preempted."); Brignoli v. Balch Hardy & Scheinman, Inc., 645 F. Supp. 1201, 1205 (S.D.N.Y. 1986) (holding a breach of contract claim preempted because "unauthorized use of copyrightable material falls squarely within § 301").

67 86 F.3d 1447 (7th Cir.), rev’g 908 F. Supp. 640 (W.D. Wis. 1996). The reader should note that ProCD is not an idea case. However, its logic applies to contracts in general, of which idea-submission contracts are a subset.
68 Id. at 1455 (quoting 17 U.S.C. § 301(b)(3) (1994)).
69 Lemley, supra note 35, at 147 (internal quotation marks omitted).
zip codes and industry or ‘SIC’ codes.” The defendants, implicitly relying on *Feist Publications, Inc. v. Rural Telephone Service Co.*, purchased a copy of the CD-ROM, downloaded the factual data, and made “it available to third parties over the Internet for commercial purposes.” ProCD brought a copyright infringement claim and a claim for breach of the “shrinkwrap” licensing agreement that accompanied its software.

A shrinkwrap license is a form contract, usually included in software packaging; the manufacturer intends for the license to bind the purchaser when she opens the software packaging or performs some other required action. Shrinkwrap licenses ostensibly take the place of any bargains or agreements between mass market software producers and consumers, because the typical software transaction does not involve arm’s length bargaining concerning use limitations. By using a shrinkwrap license, the producer generally seeks to prohibit unauthorized copies, software rental, reverse engineering and modifications to the software, and to limit the use of software to one central processing unit. In *ProCD*, the plaintiffs based their breach of contract claim on shrinkwrap license terms that prohibited the purchaser from distributing, sublicensing, or leasing the software or the data contained within the software. The district court granted summary judgment for the defendants on the contract claim on grounds that (1) the contract was unenforceable for lack of assent on the part of the defendants, and (2) even if the contract were enforceable, § 301 would preempt it.

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70 *ProCD*, 908 F. Supp. at 644.
71 See Nimmer et al., supra note 35, at 42 (“Relying on *Feist*, defendants in *ProCD* copied all the listings off the plaintiff’s CD-ROMs . . . .”).
72 499 U.S. 340 (1991). The Supreme Court held in *Feist* that “[f]acts, whether alone or as part of a compilation, are not original and therefore may not be copyrighted.” Id. at 350. The Court explained further that “[a] factual compilation is eligible for copyright if it features an original selection or arrangement of facts, but the copyright is limited to the particular selection or arrangement. In no event may copyright extend to the facts themselves.” Id. at 350-51.
73 *ProCD*, 908 F. Supp. at 645.
74 The district court granted summary judgment on the copyright infringement claim pursuant to *Feist*. Id. at 650.
75 Id. at 644-45.
77 *ProCD*, 908 F. Supp. at 650. The district court also explained that commentators saw shrinkwrap licenses as being of “questionable validity,” because (1) they pose contract-law questions of assent, and (2) they “pose important questions about the extent to which individual contract provisions can supplement or expand federal copyright protection.” Id.
78 Id.
79 Id. at 645.
80 Id. at 655.
81 Id. at 659.
In holding ProCD's contract claim preempted, the district court relied on statutory preemption analysis and copyright policy analysis. With respect to the statutory analysis, the court concluded that the contract claim did not require an extra element because "in reality, [the plaintiff's] breach of contract claim is nothing more than an effort to prevent defendants from copying and distributing its data, exactly what it sought to bar defendants from doing under copyright law." In reaching its conclusion, the district court expressed its disagreement with three circuit court cases: National Car Rental System, Inc. v. Computer Associates International, Inc., Taquino v. Teledyne Monarch Rubber, and Acorn Structures, Inc., v. Swantz.

The district court first made a half-hearted attempt to distinguish these cases factually and then stated: "To the extent that National Car Rental, Taquino, . . . and Acorn support the proposition that a copyright infringement claim is not equivalent to a contract claim merely because the contract claim requires a plaintiff to show the additional element of breach, I disagree respectfully with their conclusions." As Professor David Nimmer and his coauthors point out, this statement invited reversal on appeal because "an affirmance would seem to proclaim 'circuit conflict,' thus inviting certiorari." As it turns out, the Seventh Circuit did take issue with this apparent rejection of precedent.

However, the district court also grounded preemption on the fundamental conflict between enforcement of the shrinkwrap license and overarching copyright policy. Accordingly, the court found that the "[p]laintiff's license agreement is an attempt to avoid the confines of copyright law and of Feist" and concluded that the contract claim should be preempted on policy grounds because "[i]t would alter the 'delicate balance' of copyright law to allow parties to avoid copyright law by contracting around it."

Judge Easterbrook, writing for the Seventh Circuit, reversed the district court, concluding that (1) the shrinkwrap agreement was en-

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82 See id. at 657-59.
83 Id. at 657.
84 Id. at 658.
85 991 F.2d 426 (8th Cir. 1993).
86 893 F.2d 1488 (5th Cir. 1990).
87 846 F.2d 923 (4th Cir. 1988).
88 See ProCD, 908 F. Supp. at 658.
89 Id.
90 Nimmer et al., supra note 35, at 47.
91 See ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1454 (7th Cir. 1996).
93 Id. at 659.
94 Id. at 658.
forceable pursuant to U.C.C. provisions for "acceptance of goods,"
and (2) § 301 did not preempt the contract claim because the rights
protected in the shrinkwrap agreement were not "'equivalent to any
of the exclusive rights within the general scope of copyright.'"

The Seventh Circuit relied primarily on § 301 preemption analy-

sis. Judge Easterbrook denied adopting a conclusive rule that all
claims labeled "contract" would escape preemption. However, the
opinion's language and logic tell a different story, in which it is in-
deed hard to imagine a contract claim not considered qualitatively
different. Judge Easterbrook first addressed the issue of the district
court's disagreement with National Car Rental, Acorn, and Taquino,
stating: "But are rights created by contract 'equivalent to any of the exclu-
sive rights within the general scope of copyright'? Three courts of
appeals have answered 'no.' The district court disagreed with these
decisions, but we think them sound."

The resounding "no" that Judge Easterbrook attributes to the
three circuit court decisions appears absolute and unqualified by fac-
tual idiosyncrasies. Contributing to this impression of conclusiveness,
the court explained why it believed National Car Rental, Acorn, and Ta-
quino represented the correct view, delivering a statement that leaves
very little room for any putative "equivalency" between contract and
copyright:

Rights "equivalent to any of the exclusive rights within the general
scope of copyright" are rights established by law—rights that restrict
the options of persons who are strangers to the author. Copyright
law forbids duplication, public performance, and so on, unless the
person wishing to copy or perform the work gets permission; silence
means a ban on copying. A copyright is a right against the world. Con-
tracts, by contrast, generally affect only their parties; strangers may do as they
please, so contracts do not create "exclusive rights."

Indeed, subsequent courts arguing for the proposition that § 301 can
never preempt contract claims have relied on just this language.

Having so dealt with the district court's § 301 argument, the Seventh
Circuit dismissed the district court's policy concerns as

insubstantial.

95 ProCD, 86 F.3d at 1452 (internal quotation marks omitted).
96 Id. at 1454-55 (quoting 17 U.S.C. § 301(a) (1994)).
97 Id. at 1455 ("Like the Supreme Court in Wobens, we think it prudent to refrain from
adopting a rule that anything with the label 'contract' is necessarily outside the preemp-
tion clause: the variations and possibilities are too numerous to foresee.").
98 Id. at 1454 (citations omitted).
99 Id. (second emphasis added).
100 E.g., Architectronics, Inc. v. Control Sys., Inc., 935 F. Supp. 425, 439 (S.D.N.Y.
1996) (quoting this statement); Expediters Int'l, Inc. v. Direct Line Cargo Mgmt. Servs.,
101 See ProCD, 86 F.3d at 1455.
Judge Easterbrook’s view is consistent\textsuperscript{102} with that taken by many courts and commentators in the realm of idea law, namely, that the promise involved in a contractual relationship is itself an extra element regardless of whether the defendant breaches the contract by performing an act that § 106 of the Copyright Act reserves exclusively to a copyright owner.\textsuperscript{103} For example, Professor Nimmer, a leading commentator in the area, states that contracts relating to ideas are generally not preempted because, under the extra element test, “[the] additional element is a promise (express or implied) upon the part of the defendant.”\textsuperscript{104} Thus, there is a strong argument that courts should not preempt contract claims regarding idea submissions because the contractual relationship always precludes satisfaction of the general scope requirement.

\textsuperscript{102} The court in Selby v. New Line Cinema Corp., 96 F. Supp. 2d 1053 (C.D. Cal. 2000) drew an analytic distinction between Judge Easterbrook’s argument regarding “the limited scope of rights protected by contract [as opposed to] the universal scope of rights protected by copyright” and other arguments against preemption that posit that “the promise to perform the contract constitutes an extra element.” Id. at 1059. This Note treats these views as a single class for the sake of convenience and because both locate the reason for avoiding preemption in the contractual relationship.

\textsuperscript{103} See, e.g., Katz Dochrermann & Epstein v. HBO, No. 97 CIV. 7763 (TPG), 1999 WL 179603, at *4 (S.D.N.Y. Mar. 31, 1999) (holding that an implied-in-fact contract claim regarding ideas contained in advertising materials survived preemption); Hogan v. DC Comics, No. 96-CV-1749, 1997 WL 570871, at *5 (N.D.N.Y. Sept. 9, 1997) (holding that a state law misappropriation claim based on submission of idea for comic book, grounded on either an implied-in-fact or an implied-in-law contract, contained an “extra element” and was therefore not preempted); Howard v. Sterchi, 725 F. Supp. 1572, 1579 (N.D. Ga. 1989) (holding that breach of contract and breach of implied duty of good faith and fair dealing claims, arising out of misappropriation of plaintiff’s designs for log homes, were not preempted by § 301 of the Copyright Act), aff’d, 12 F.3d 218 (11th Cir. 1993); Ronald Litoff, Ltd. v. Am. Express Co., 621 F. Supp. 981, 986 (S.D.N.Y. 1985) (“Count eleven of the amended complaint is for breach of contract. That claim is qualitatively different from a copyright claim and therefore not preempted by Section 301.”); Smith v. Weinstein, 578 F. Supp. 1297, 1307 (S.D.N.Y.) (holding that a breach of contract claim regarding disclosure of prison rodeo concept for a film was not preempted because rights under express or implied agreements are qualitatively different from copyright claims), aff’d, 738 F.2d 419 (2d Cir. 1984); Kulik, supra note 11, at 104 (noting that express and implied-in-fact contract claims continue to be viable theories of idea protection despite copyright preemption because they are based on the relationship of the parties rather than ownership of property rights); McGovern, supra note 5, at 492 n.81 (noting that courts have considered claims based on contractual agreements to be qualitatively different from copyright claims); O’Rourke, supra note 35, at 523 (arguing, in the context of claims regarding fully negotiated contracts, that the “extra element is a breach of promise . . . that would not exist but for the parties’ agreement”); Camilla M. Jackson, Note, “I’ve Got This Great Idea for a Movie!” A Comparison of the Laws in California and New York that Protect Idea Submissions, 21 Colum.-VLA J.L. & Arts 47, 65 (1996) (“State intellectual property law governing idea submissions is unlikely to be preempted by federal copyright law . . . .”); Reitenour, supra note 17, at 151 (“The express and implied contract theories include the element of a contractual relationship, thus effectively removing them from the scope of preemption.”).

\textsuperscript{104} Nimmer & Nimmer, supra note 1, § 16.04[C] (emphasis added). However, Nimmer does not purport to set out a conclusive rule, but merely states that “[f]ederal pre-emption would nevertheless seem to be avoided . . . .” Id. (emphasis added); see also infra note 143 (discussing the apparent contradictions in the Nimmer treatise).
B. *Endemol, Wrench, Selby,* and the Fact-Specific Approach to Copyright Preemption of Contract Claims

Taking an opposing view, some courts look closely at the contract in question and ask whether the breaching action consists of the defendant performing an act reserved exclusively to a copyright owner in 17 U.S.C. § 106 (in which case preemption is appropriate) or whether the defendant breaches the contract by performing an act other than those reserved in § 106 (in which case preemption is not appropriate). In three recent idea cases, federal district courts have adopted this approach.


In *Endemol Entertainment B.V. v. Twentieth Television Inc.*, the plaintiff, Endemol Entertainment ("Endemol"), alleged that the defendants, Twentieth Television, Jonathan Goodson, and various production companies, "improperly appropriat[ed] the substance of Plaintiff's television show, FORGIVE ME, which he [had] distributed in Europe since 1991." In 1994, Endemol attended a trade convention "at which new television programs [were] licensed, sold, and marketed." Endemol "presented 'Forgive Me' to Jonathan Goodson...", who was then an officer for Mark Goodson Productions, Inc... for potential licensing in the United States." The court acknowledged that "[a]lways it was understood that disclosure of the format, including sample programs, was made in confidence and that Plaintiff would be compensated for any subsequent use of any ideas that might be used." Endemol asserted that Goodson developed a show based on the "format, expression, and concepts of 'Forgive Me'" and produced a television pilot program entitled "Forgive and Forget" along with defendants Twentieth Television and Monet Lane Productions, Inc.

The defendants moved to dismiss the plaintiff's claim for breach of implied-in-fact contract on preemption grounds. Rejecting Endemol's argument that contract rights are different from copyright rights because contract rights "involve an agreement between the par-

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107 Id. at 1524.
108 Id. at 1525.
109 Id.
110 Id.
111 Id. (internal quotation marks omitted).
112 Id. at 1526.
ties rather than a 'right against the world,'” the District Court for the Central District of California held that § 301 preempted the plaintiff's implied-in-fact contract claim.113 The court based its holding on the fact that the contract at issue created “no additional rights other than promising not to benefit from the copyrighted work,” and that the plaintiff’s claim asserted “no violation of rights separate from those copyright law was designed to protect.”114 The court distinguished ProCD and National Car Rental, explaining that those “cases involved written contracts that had specific promises that provided an ‘extra element’ beyond copyright law protections.”115

2. Wrench LLC v. Taco Bell Corp.

Adopting Endemol's approach116 in Wrench LLC v. Taco Bell Corp.,117 the District Court for the Western District of Michigan held that § 301 preempts implied-in-fact contracts that merely forbid the performance of an act reserved exclusively to a copyright holder under 17 U.S.C. § 106.118 The Wrench court thus rejected the notion that the contractual relationship itself provides an extra element for purposes of the general scope requirement.119

The Wrench plaintiffs developed a cartoon character known as “Psycho Chihuahua,” which they promoted and marketed through their wholly-owned limited liability company, Wrench LLC.120 Psycho Chihuahua was a “caricature of a feisty, edgy, confident Chihuahua with a big dog’s attitude.”121 At first, Wrench LLC itself marketed the Psycho Chihuahua character on T-shirts and other merchandise; by 1996, Wrench had licensed the rights to produce Psycho Chihuahua merchandise to several large manufacturers.122

In June 1996, the plaintiffs attended a licensing trade show in New York City and met Ed Alfaro and Rudy Pollak, Taco Bell’s Creative Services Manager and Vice President of Administration and Employee Programs respectively.123 Negotiations ensued between the plaintiffs and Taco Bell (via Alfaro) regarding Taco Bell’s use of the Psycho Chihuahua idea.124 Taco Bell conceded at the summary judg-

113 Id. at 1528.
114 Id.
115 Id.
118 Id. at 853.
119 Id. at 852-53.
120 Id. at 842.
121 Id.
122 Id.
123 Id.
124 Id. at 847.
ment stage that there was “sufficient evidence in the record to support Plaintiff's allegation that the parties had a basic understanding that if Taco Bell used the Psycho Chihuahua idea, concept, or image, that Taco Bell would compensate Plaintiffs for the fair value of such use.”

When Taco Bell started running television commercials featuring a “suave male Chihuahua with a taste for Taco Bell food and known for the line, ‘Yo quiero Taco Bell,’” the plaintiffs claimed that Taco Bell had “misappropriated their creative images, ideas, concepts, and designs for its own use without compensating the Plaintiffs for use of their property.” The plaintiffs' original complaint alleged breach of implied-in-fact contract, unjust enrichment, misappropriation, conversion, and dilution of trademark and unfair competition under Michigan and California law.

In its June 18, 1998 opinion granting in part and denying in part Taco Bell’s motion to dismiss Wrench's state law claims, the district court held that federal copyright law preempted the unjust enrichment claim but that § 301 did not preempt Wrench’s misappropriation, conversion, and unfair competition claims. The court retained these claims “because they require Plaintiffs to prove an extra element not required for a copyright infringement claim, namely, the existence of a legal relationship arising from an implied contract.”

However, Taco Bell then moved for summary judgment on grounds that “[p]laintiffs have not established an implied in fact contract, or alternately, if they have, their claims are preempted by the Copyright Act because the implied contract creates legal rights that are equivalent to the rights within the general scope of copyright.” In the court’s opinion from June 10, 1999, the court departed from its

125 Id. Taco Bell conceded this hoping that the court would grant summary judgment on the contract claim because “the parties did not agree on any of the essential terms that would normally be included in a licensing agreement, such as price, duration, scope of use, and exclusivity.” Id. The court disagreed with Taco Bell on this issue, however, holding that the alleged general understanding between Alfaro and the plaintiffs could constitute an implied-in-fact contract for purposes of surviving summary judgment. Id. at 848.

126 Id. at 842.

127 See id. at 1037-38.

128 Wrench III, 51 F. Supp. 2d at 846; see Wrench I, 49 U.S.P.Q.2d at 1038-40. The district court supplemented the holding of Wrench I in another opinion in which it “struck Plaintiffs' allegations of a legal relationship arising from a quasi contract on the basis that such allegations were inconsistent with the Court's earlier determination that Plaintiffs' unjust enrichment claim was preempted.” Wrench III, 51 F. Supp. 2d at 846; see Wrench LLC v. Taco Bell Corp., 36 F. Supp. 2d 787, 790-91 (W.D. Mich. 1998) (“Wrench II”).
earlier holding that the plaintiffs' implied-in-fact contract allegations were sufficient to meet the extra element test because "an implied-in-fact contract requires mutual assent and consideration." The court granted summary judgment on the state law claims, holding that "although Plaintiffs have presented sufficient evidence to establish an implied in fact contract, those claims are subject to copyright preemption."

Specifically, the Wrench court determined that there was no per se rule against preemption of contract claims under § 301 and held that "[t]he rights Plaintiffs are asserting are equivalent to rights under the Copyright Act because they are based upon Taco Bell's reproduction or use of Plaintiffs' ideas for creation of derivative works." Thus, the court concluded that Wrench's contract claim had no extra element:

> Although rights may be created by a promise, whether express or implied, they do not render a claim for breach of that promise "qualitatively different" if they are infringed by the same conduct prohibited by the Copyright Act. Here, Taco Bell's alleged promise not to use Plaintiffs' ideas and concepts does not differ from the Copyright Act's prohibition against preparing derivative works from or displaying copyrighted works.

The Wrench court also provided future courts with precedent for the general proposition that "[a] promise not to use another's ideas and concepts without paying for them 'is equivalent to the protection provided by section 106 of the Copyright Act.'"

Central to the Wrench court's reasoning is its criticism of Judge Easterbrook's characterization of circuit precedent in ProCD. Judge Easterbrook attributed to National Car Rental, Taquino, and Acorn the nearly absolute proposition that contract claims avoid copyright preemption because contract rights are not "'equivalent to any of the

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133 Wrench II, 36 F. Supp. 2d at 791 n.2.
134 Wrench III, 51 F. Supp. 2d at 846-47. The court justified its departure from and reconsideration of its earlier opinions on three grounds: (1) "Taco Bell's prior motions to dismiss did not focus specifically on the implied in fact contract claim," (2) "the preemption argument presents a question of fact in the sense that the Court must examine the precise nature of Plaintiffs' implied-in-fact contract," and (3) "if Taco Bell is correct, an enormous amount of money, probably millions of dollars, will be spent pursuing and resisting an invalid theory." Id. at 849.
135 Id. at 853 ("Sometimes implied in fact contracts are preempted, and sometimes implied in fact contracts are not preempted. It depends upon the precise contract right being asserted.").
136 Id.
137 Id. (citation omitted).
138 Id. (quoting Del Madera Props. v. Rhodes & Gardner, Inc., 820 F.2d 973, 977 (9th Cir. 1987)); see infra notes 180-84 and accompanying text (examining the Wrench court's misquotation of this language).
139 Wrench III, 51 F. Supp. 2d at 852.
exclusive rights within the general scope of copyright." The Wrench court adopted Professor David Nimmer's criticism of Judge Easterbrook's opinion. Nimmer argues that (1) Judge Easterbrook mischaracterized the holdings of National Car Rental, Taquino, and Acorn, (2) these cases turn on their own peculiar facts, and (3) the holdings of these cases are consistent with the ProCD district court's position that while most contract claims should not be preempted, preemption is appropriate in certain circumstances when the contract merely "forbid[s] reproduction, distribution, or display." The

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140 ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1454 (7th Cir. 1996).
141 Wrench III, 51 F. Supp. 2d at 852-53.
142 Nimmer et al., supra note 35, at 50 (stating that "[t]he facts-specific holdings of these cases—that contracts that did not merely forbid reproduction, distribution, or display are not preempted—follow the same rule as National Car Rental" and that "parallel logic dictates that Taquino and Acorn in no way undermine the district court's ruling"). This argument also appears in Nimmer & Nimmer, supra note 1, § 1.01[B][1][a]. Nimmer's (and thus the Wrench court's) argument is supported by an examination of these three cases.

In National Car Rental, the court did not adopt a conclusive rule in favor of non-preemption of contract claims. Rather, the court looked at the specific facts of the case, which involved a contractual promise not to use a computer program to process data for third parties, Nat'l Car Rental Sys., Inc. v. Computer Assocs. Int'l, Inc., 991 F.2d 426, 428 (8th Cir. 1993), and concluded that "the contractual restriction on use of the programs constitutes an additional element making this cause of action not equivalent to a copyright action." Id. at 432. The court made it clear that processing data for third parties was the contractually "prohibited act" and that "[n]one of the exclusive copyright rights grant [Computer Associates] that right of their own force." Id. at 433. The court, however, also made clear that it was not adopting a hard-and-fast rule that courts should preempt contract claims involving contracts that prohibit actions reserved to copyright holders under § 106. Id. at 434 n.5 ("Because we decide that the specific contract right [Computer Associates] seeks to enforce is not equivalent to any of the copyright rights, we do not need to decide whether a breach of contract claim based on a wrongful exercise of one of the exclusive copyright rights is preempted."). Because of the nature of the contract-breaching action in this case, it is almost impossible to conclude, as Judge Easterbrook did, that National Car Rental stands for the proposition that the contractual relationship itself precludes preemption regardless of the nature of the contractually prohibited act.

The Taquino case is also factually different from the ProCD case because Taquino involved a breach of a covenant not to compete. See Taquino v. Teledyne Monarch Rubber, 893 F.2d 1488, 1501 (5th Cir. 1990). Like the breaching action in National Car Rental, competing does not invade a right reserved exclusively to a copyright holder, so the holding of non-preemption does not support a conclusive proposition that all contract claims avoid preemption even when the breaching action is one reserved exclusively to a copyright holder.

Acorn involved an architect's "design agreement" wherein "while Swantz did not have to use Acorn's plans, if he did use Acorn's plans then he was obligated either to purchase the plans from Acorn or to purchase his building materials from Acorn." Acorn Structures, Inc. v. Swantz, 846 F.2d 923, 926 (4th Cir. 1988). Swantz did neither, but rather gave Acorn's designs to another architect to construct a home. Id. at 925. Here, the breaching action does appear to be the unauthorized exercise of an exclusive copyright right: either the right to make derivative works from the plans or to distribute the plans. See 17 U.S.C. § 106(2), (3) (1994). However, Acorn does not stand for the proposition that a contract itself provides an extra element for purposes of the general scope requirement. Rather, the basis of the Fourth Circuit's holding was that the contract was not within the subject matter of copyright law, thus failing to satisfy the subject matter prong. Acorn, 846 F.2d at
Wrench court concluded, quoting Nimmer for the propositions that "the rule safeguarding contract causes of action against copyright preemption is less than categorical" and that "pre-emption should continue to strike down claims that, though denominated 'contract,' nonetheless complain directly about the reproduction of expressive materials." \(^{143}\)


In *Selby v. New Line Cinema Corp.*, \(^{144}\) the District Court for the Central District of California followed the approach set forth in *Endemol* and *Wrench*, \(^{145}\) preempting a claim to enforce an implied-in-fact contract that merely prohibited the defendants from using the plaintiff's ideas without compensation. \(^{146}\) The plaintiff Selby thought of an idea for a movie and wrote a screenplay entitled "Doubletime" based upon that idea. \(^{147}\) "He registered the screenplay with the Writer's Guild of America and . . . obtained a federal copyright registration." \(^{148}\) Selby's agents then submitted the screenplay and the ideas for the screenplay to the New Line Cinema Corp. ("New Line") for consideration. \(^{149}\) New Line rejected the submission after examining it, but requested

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926 ("Acorn's cause of action is based upon this implicit provision of the contract which does not arise out of the subject matter of copyright and is therefore a separate and distinct cause of action.").

\(^{143}\) *Wrench III*, 51 F. Supp. 2d at 852-53 (quoting Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 1.01[B][1][a], at 1-22 (1977)). Substantially the same language appears in Nimmer et al., supra note 35, at 50. A curious aspect of David Nimmer's argument here is that it appears inconsistent with the assertion in his treatise that contracts to protect ideas generally escape preemption because the contractual relationship itself constitutes an extra element. See Nimmer & Nimmer, supra note 1, § 16.04[C]; supra note 104 and accompanying text.

One may explain this apparent contradiction by noting the fact that David Nimmer, who coauthored "The Metamorphosis of Contract into Expand," Nimmer et al., supra note 35, and who currently updates the Nimmer treatise, did not originally write the treatise's section on "The Law of Ideas," Nimmer & Nimmer, supra note 1, § 16. His father, Melville Nimmer, penned that section. Sobel, supra note 11, at 11-12 (explaining that Melville Nimmer originally wrote a law review article entitled "The Law of Ideas" in 1954, subsequently incorporated this article into his treatise, regularly updated the treatise for some time, and that his son, David Nimmer, now updates the treatise). Melville Nimmer may have advocated the more conventional approach that a contract always constitutes an extra element, while David Nimmer may now, especially in light of his policy-based disagreement with the ProCD opinion, see Nimmer et al., supra note 35, at 50-63, support the argument that a contract does not necessarily provide an extra element.

In any case, this apparent contradiction indicates the difficulty of the current task facing courts that attempt to apply the extra element test to contract claims.

\(^{144}\) 96 F. Supp. 2d 1053 (C.D. Cal. 2000).

\(^{145}\) Id. at 1062 (citing both *Endemol* and *Wrench* as examples of analogous cases).

\(^{146}\) Id. at 1061-62.

\(^{147}\) Id. at 1054.

\(^{148}\) Id. at 1055.

\(^{149}\) Id.
that Selby show them any further drafts that he might write. The court assumed that "at the time [of] the presentation [i.e., the submission of the screenplay and ideas] . . . defendants knew and understood that Selby expected to be compensated and receive screen credit if defendants used the Ideas for the creation, development and production of a theatrical feature film." Subsequently, New Line purchased another screenplay entitled "Frequency" from Toby Emmerich, a codefendant, and New Line produced a film from this screenplay. Selby believed that Emmerich copied the ideas and expression of "Doubletime" in creating "Frequency." Along with a copyright infringement claim, Selby brought a breach of implied-in-fact contract claim against New Line, alleging that New Line used his ideas in producing "Frequency" without compensating him or providing him with any screen credit.

The Selby court adopted a "fact-specific approach" that required examining whether "the right in question is infringed by the mere act of reproduction, performance, distribution, or display." The court refused to view the contractual relationship itself as an extra element:

Suppose, [for example], that the defendant promised "I will not infringe any copyright or copyright protection in the script you are proposing to show me." In that case, the very promise is so inextricably entwined with the copyright that to permit the promisee to sue upon it would undermine the preemption feature of the Copyright Act.

The Selby court also rejected Judge Easterbrook's conceptual argument about the fundamental differences between copyright and contract rights. The court criticized Judge Easterbrook for his failure to appreciate the difference between a contract that merely forbids copying (or other § 106 actions) and a contract that forbids conduct other than copying (or other § 106 actions). Mirroring Endemol and Wrench, the Selby court concluded that "because the alleged implied-in-fact contract between Selby and defendants did not regulate . . .

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150 Id.
151 Id. (internal quotation marks omitted).
152 Id.
153 See id.
154 See id.
155 Id. at 1061 (quoting Nat'l Car Rental Sys., Inc. v. Computer Assocs. Int'l, Inc., 991 F.2d 426, 431 (8th Cir. 1993)) (second internal quotation marks omitted). Selby thus completely deconstructs Judge Easterbrook's discussion of circuit precedent in ProCD by citing National Car Rental for the exact opposite proposition that Judge Easterbrook attributed to it. See supra note 98 and accompanying text.
156 Selby, 96 F. Supp.2d at 1060.
157 Id.
158 Id.
the parties' conduct beyond mere use of Selby's ideas, the rights protected by that contract were equivalent to the exclusive rights protected by the Act [and are thus preempted].”

III
THE IMPASSE: THE AMBIGUITY OF “EQUIVALENT” RIGHTS

The above cases set forth two competing visions as to whether courts should preempt claims involving contracts that merely prohibit the defendant from performing acts exclusively reserved to a copyright owner under 17 U.S.C. § 106. The courts essentially disagree over the meaning of § 301 when it states that rights “equivalent” to those within the general scope of copyright “are governed exclusively by this title.” This Note contends that neither Judge Easterbrook’s approach in ProCD nor the Endemol-Wrench-Selby approach convincingly vanquishes the other; both approaches present equally compelling interpretations of “equivalent rights” in the context of idea-submission contracts. Thus, contracts that merely forbid the “use” of a plaintiff’s ideas create a paradoxical situation: copyright rights and contract rights appear simultaneously equivalent and not equivalent.

A. Statutory Language

The logical starting point for determining the meaning of “equivalent” rights is the statutory provision itself. In relevant part, § 301 states that rights “equivalent to any of the exclusive rights within the general scope of copyright . . . are governed exclusively by [the Act].” But what rights are “equivalent”? Like Judge Easterbrook, one can argue persuasively that contract rights and copyright rights are simply not “equivalent,” as the term is commonly understood. Copyrights are “right[s] against the world” that bind strangers and acquaintances alike in the absence of any legal relationship. In contrast, contract rights only bind those who actively choose to enter into an agreement. Approached this way, contracts and copyright rights are not “equivalent,” and the statute does not call for preemption.

159 Id. at 1062. Interestingly, the Selby court expressly rejected the plaintiff’s suggestion that its holding would signal the “death knell to idea submission cases.” Id. at 1062 n.8 (quoting the plaintiff’s opposition brief). The court explained that parties could enter into “[a]n idea submission contract [which] could create rights that are qualitatively different from the rights protected by the Copyright Act” if they inserted a confidentiality provision. Id.
161 Id.
162 ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1454 (7th Cir. 1996).
163 Id.
But an "equivalent" right might also refer to a plaintiff's right to redress for certain conduct regardless of the context, either in tort or contract. If the plaintiff has the right to forbid a certain action, the statute is arguably indifferent to the source of that right. Furthermore, as the Selby court points out, the distinction between a contract right and a copyright right blurs as the substance of the contractual obligation approaches the substance of the statutory grant of rights. However, because the statute only speaks of preemption of "equivalent" rights and does not explain exactly what "equivalent" means, there is no persuasive statutory argument for choosing one of these interpretations over the other.

B. House Report 1476 and Legislative History

Absent clarity on the face of the statute, one might examine the House Report accompanying the 1976 revisions to the Act and the statute's legislative history for guidance. The House Report seems to support Judge Easterbrook's argument that contract rights are not equivalent to copyright rights when it states that "[n]othing in the bill derogates from the rights of parties to contract with each other and to sue for breaches of contract." However, this statement is not dispositive of whether a particular contract claim is "equivalent" to a copyright claim; Congress might have included this language merely to alleviate anxiety about enforcement of licensing agreements.

The statutory provision's history further complicates the interpretive dilemma. The first version of § 301(b) (3) expressly listed misappropriation, breach of contract, breach of trust, trespass, conversion, invasion of privacy, defamation, and deceptive trade practices as claims that should survive preemption. The Justice Department objected to the inclusion of misappropriation in this list, and Congress subsequently deleted the entire list. While logically this deletion cannot mean that Congress wanted § 301 to preempt all contract claims regarding intellectual property, the context surrounding its

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164 See Selby, 96 F. Supp. 2d at 1060.
165 17 U.S.C. § 301(a).
168 Id. at 24 (not reprinted in U.S.C.C.A.N.) (showing a copy of the bill as originally written); see also Nimmer & Nimmer, supra note 1, § 1.01[B][1][f][i] & n.175 (discussing § 301(b)(3) as originally drafted).
169 See Nimmer & Nimmer, supra note 1, § 1.01[B][1][f][i]; O'Rourke, supra note 35, at 517-18.
170 The court in Wolff v. Institute of Electrical & Electronics Engineers, Inc., 763 F. Supp. 66 (S.D.N.Y. 1991), took the position that because Congress deleted the "safe harbor" for breach of contract claims created in the first version of the bill, there was a presumption that Congress intended these claims to be preempted. Id. at 69. Professor Nimmer soundly rejects this argument. See Nimmer & Nimmer, supra note 1, § 1.01 [B][1][a].
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deletion might suggest that Congress intended to eschew absolute rules against preemption.\footnote{Cf. \textit{Nimmer} \& \textit{Nimmer}, \textit{supra} note 1, § 1.01[B][1][f][i] n.177 ("Although the Justice Department letter objected mainly to the reference to 'misappropriation,' it also suggested deletion of the other listed causes of action in § 301(b)(3) on the ground that they too 'may be construed' to negate pre-emption.").} Congress might have intended to grant courts discretion to make ad hoc determinations of what state law claims should survive preemption, rather than providing a conclusive list. After all, if Congress only wanted to alleviate the Justice Department's concern with misappropriation claims, then it could have deleted only this cause of action, leaving the other examples, including breach of contract, intact.

On the other hand, one could convincingly argue the opposite position. As Professor O'Rourke points out, "both the original inclusion of breach of contract as an example of a cause of action that would survive preemption and the reason for deletion of the list of examples suggest that Congress did not intend, as a general rule, to preempt breach of contract actions under the Act."\footnote{\textit{O'Rourke}, \textit{supra} note 35, at 518.} Frustratingly, even Professor O'Rourke limits her assertion by inserting the phrase "as a general rule,"\footnote{\textit{Id}.} leaving the possibility that Congress may have intended to preempt some contract claims. Accordingly, the legislative history and House Report provide no substantial guidance in determining whether courts should preempt implied-in-fact contract claims regarding idea submissions.

C. Conceptual and Practical Arguments

Leaving behind statutory analysis, one might attempt to resolve the issue by ruminating on the conceptual nature of contract rights and copyright rights. On this level, Judge Easterbrook's argument in \textit{ProCD} that "[a] copyright is a right against the world" and that "[c]ontracts, by contrast, generally affect only their parties; strangers may do as they please, so contracts do not create 'exclusive rights'"\footnote{\textit{ProCD}, Inc. v. Zeidenberg, 86 F.3d 1447, 1454 (7th Cir. 1996).} is very persuasive. Occam's razor\footnote{Occam's razor, or Ockham's razor, is a philosophic methodology which counsels that, when confronted with two equally probable solutions, the simpler and more direct solution is always preferable. \textit{Cf. Webster's Third International Dictionary} 1561 (1986) (defining the term "Ockham's razor" as "the philosophic rule that entities should not be multiplied unnecessarily"). Occam's razor is also a general call for simplification of a matter. Courts have adopted this methodology in both its senses. \textit{See}, \textit{e.g.}, \textit{Chauffeurs, Teamsters & Helpers Local No. 391} v. \textit{Terry}, 494 U.S. 558, 575 (1990) (Brennan, J., concurring in part and concurring in the judgment) ("[T]here remains little purpose to our rattling through dusty attics of ancient writs. The time has come to borrow William of Occam's razor and sever this portion of our analysis."); United States v. \textit{Navarro-Camacho}, 186 F.3d 701, 708 (6th Cir. 1999) ("Occam's Razor also supports the magistrate judge's decision.")} suggests adoption of this ap-
proach; the contrary approach—looking past the contract itself to the breaching action to determine equivalency—is both more complicated and less intuitive because it requires courts to suppress the obvious existence of a contractual relationship.

But on a practical level, good reasons exist to ignore the contractual obligation when identifying an extra element. First, courts may often suspect that a plaintiff is merely fabricating a "contract" in order to circumvent the limitations of copyright law, especially in the context of idea submissions, when an infringement claim will probably be unavailable or unhelpful.176 This suspicion may be especially keen in the case of implied-in-fact, rather than express, contracts. Second, because of the substance of the contractual obligation in question—to pay for an idea if used—courts may be inclined to view these contracts as creating only tort-like obligations. The statement "I promise not to use your idea without paying you," which might be the proper subject of a contract action, is substantially similar to the statement, "I will not steal your idea," which might be the proper subject of a tort (i.e., infringement) or unjust enrichment claim. Finally, the actual bargaining process or nature of assent in some contractual situations may be quite minimal, thus deflating conceptual arguments positing a fundamental difference between copyright rights and contract rights based on the active participation (or lack thereof) of the legally bound parties.177

176 Cf. 17 U.S.C. § 102(b) (1994) ("In no case does copyright protection for an original work of authorship extend to any idea . . . regardless of the form in which it is described, explained, illustrated, or embodied in such work."); supra note 3 and accompanying text (discussing the problems faced by an idea-person because of the idea/expression dichotomy); cf. also, e.g., Markogianis v. Burger King Corp., No. 95 Civ. 4627 (JFK), 1997 WL 167115, at *5-6 (S.D.N.Y. Apr. 8, 1997) (expressing concern that "[p]laintiffs attempt to differentiate their claim by couching it as one for a breach of an implied-in-fact contract to pay for the value of the [p]laintiff's ideas" and concluding that "[p]laintiffs have not adequately pleaded an implied-in-fact contract").

177 This point becomes clear in the shrinkwrap license context. Consummation of a binding shrinkwrap license requires a lower level of assent than a traditional arm's length bargaining process. See Niva Elkin-Koren, Copyright Policy and the Limits of Freedom of Contract, 12 Berkeley Tech. L.J. 93, 110 (1997). Furthermore, because software proprietors that make use of shrinkwrap licenses generally enjoy copyright protection for their expressive material, they can basically deny all access to expressive material if a consumer refuses to agree to the shrinkwrap license. Id. With shrinkwrap licenses requiring a lower standard of assent and their proprietors being able to deny access to all those who will not contract with them, the contract right begins to look a lot like a "right against the world," especially when every copy of a piece of expressive material is accompanied by a shrinkwrap license.
Because the former arguments function on a conceptual level and the latter arguments function on a practical level, neither wholly refutes the other nor satisfactorily explains what Congress intended when it stated that § 301 preempts “equivalent” rights.178

D. Shortcomings of Both Approaches

Finally, both approaches suffer (relatively) equally from shortcomings that make them less convincing. As noted above, Judge Easterbrook’s mischaracterization of circuit court precedent undermines his approach.179 Close examination of the Endemol-Wrench-Selby line reveals trouble spots as well.

Both Endemol and Wrench (and Selby because it relies on these two cases) make suspect use of precedent and scholarly authority. Both cases hinge on the assertion, stated in Wrench in language borrowed from the Ninth Circuit, that “[a] promise not to use another’s ideas and concepts without paying for them ‘is equivalent to the protection provided by section 106 of the Copyright Act.’”180 In Del Madera Properties v. Rhodes & Gardner, Inc.,181 Judge Thompson of the Ninth Circuit wrote, “an implied promise not to use or copy materials within the subject matter of copyright is equivalent to the protection provided by section 106 of the Copyright Act.”182 But Judge Thompson made this statement in the context of dismissing an unjust enrichment claim, not, as would be appropriate in the Wrench context, an implied-in-fact contract claim.183 The “implied promise” that is “equivalent to the protection provided by section 106” in the Ninth Circuit’s language is a promise implied by law to avoid unjust enrichment, not a bona fide promise requiring mutual assent.184

179 See supra notes 139-43 and accompanying text (discussing the critique by the Wrench court and David Nimmer of Judge Easterbrook’s characterization of National Car Rental, Taquino, and Acorn).
181 820 F.2d 973 (9th Cir. 1987).
182 Id. at 977.
183 See id.
184 Implied-in-fact contracts and implied-in-law contracts (sometimes called quasi-contracts) are conceptually and practically distinct. Implied-in-fact contracts are similar to express contracts because both require the contracting parties’ mutual assent to an agreement. See 1 Arthur Linton Corbin, Corbin on Contracts § 1.19, at 55-57 (West rev. ed. 1993); see also Robert S. Summers & Robert A. Hillman, Contract and Related Obligation: Theory, Doctrine, and Practice 142 (3d ed. 1997) (“A contract implied in fact is one kind of enforceable agreement with consideration—one in which the facts of agreement and consideration are based on implication and inference rather than on explicit
On the same point, the Endemol court misquotes scholarly authority. First, the Endemol court writes, “even those who assert that contract claims generally are not preempted have made explicit exceptions in the case of implied contracts.”\footnote{Endemol Entm’t B.V. v. Twentieth Television Inc., 48 U.S.P.Q.2d 1524, 1528 (C.D. Cal. 1998).} The court supports this statement by citing Nimmer’s treatise; the court’s parenthetical reads, “noting ‘contract causes of actions are not typically pre-empted,’ but that implied contracts as a \textit{species of quasi contract} ‘should be regarded as an “equivalent right” and pre-empted insofar as it applies to copyright subject matter.’”\footnote{Id. (emphasis added) (quoting \textsc{Melville B. Nimmer & David Nimmer}, \textsc{Nimmer on Copyright} § 1.01[B][1][g] (1997)).} Here, the Endemol court incorrectly quotes out of Nimmer’s section on unjust enrichment, in which Nimmer writes, “[f]or similar reasons, a state law cause of action for unjust enrichment or quasi contract should be regarded as an ‘equivalent right’ and hence, pre-empted.”\footnote{\textsc{Nimmer} \& \textsc{Nimme}, supra note 1, § 1.01[B][1][g] (footnotes omitted).} Far from endorsing the use of unjust enrichment logic for analyzing implied-in-fact contract claims, Nimmer cautions: “In idea cases it is most important that both the attorneys and the court distinguish between an implied contract [i.e., an implied-in-fact contract] and a quasi contract since, as will be seen, recovery may often be had under one theory and not under the other.”\footnote{Id. § 16.03.}

Thus, both Judge Easterbrook’s approach and the Endemol-Wrench-Selby approach suffer from shortcomings that undermine the force of their arguments. These shortcomings are indicative of the difficult conceptual task facing judges forced to determine whether contract rights and copyright rights are equivalent when the contract in question only forbids actions reserved to 17 U.S.C. § 106.
E. Resolving the Impasse

Neither Judge Easterbrook’s approach nor the *Endemol-Wrench-Selby* approach fully explains whether contract rights and copyright rights are “equivalent” when a contract merely forbids acts of reproduction, performance, distribution, display, or creation of derivative works. Both present colorable interpretations of “equivalent” rights, but neither can explain away the other’s position. Thus, contractual obligations to pay for an idea if used create a logical impasse in the application of § 301: the contractual relationship always provides an extra element, but that extra element may be qualitatively unimportant. The statutory provision itself and its legislative history provide little or no guidance.

Courts can resolve this impasse, however, by remembering that Congress passed the preemption provision to ensure that copyright law “would be . . . more effective in carrying out the basic constitutional aims of uniformity and the promotion of writing and scholarship,”189 and “to avoid the development of any vague borderline areas between State and Federal protection,”190 which are essentially policy concerns. Accordingly, courts should incorporate matters of copyright policy into their § 301 preemption analysis in order to reach a result that better approximates congressional intent and vindicates the underlying purposes of the Act. Part IV of this Note outlines a policy-driven contract preemption analysis that would help to maintain the “delicate balance” of copyright law.

IV
DERIVING GUIDANCE FROM THE DELICATE BALANCE OF COPYRIGHT LAW

To ensure that copyright policy informs a court’s initial decision not to preempt a contract claim, policy concerns should guide courts in their § 301 preemption analysis.191 This Note explained above the ambiguity of the term “equivalent” rights in deciding whether or not courts should preempt a contract to pay for an idea if it is used.192

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190 Id. at 130, reprinted in 1976 U.S.C.C.A.N. at 5746.
191 Although one instinctively associates policy analysis with questions of constitutional dimensions, this Note proposes policy analysis for courts to apply at the statutory stage of their preemption analysis. See supra note 35 (discussing the two-tiered nature of preemption analysis). This Note makes this recommendation because, if a court preempts a contract claim on statutory grounds, then it will not reach constitutional preemption analysis at all. Thus, constitutional preemption analysis plays no role in the initial determination of which claims should not be preempted. Because of the impasse at the statutory stage of § 301 analysis, courts need policy guidance early on in the inquiry.
192 See supra Part III.
Because of this ambiguity, this Note argues that it is permissible and indeed beneficial for courts to consider matters of policy in their application of § 301.

This Note suggests the following policy-driven analysis for § 301: when faced with a claim involving a contract that merely forbids performance of an act reserved exclusively to the copyright holder under 17 U.S.C. § 106, courts should take steps to avoid upsetting the delicate balance of federal copyright law. The delicate balance of copyright law is upset when a contract purports to remove public rights under copyright law—such as the right to make use of uncopyrightable facts and ideas—while the proponent of the contract simultaneously takes advantage of copyright’s economic incentive system by injecting the item covered by the contract into the stream of commerce. When the delicate balance is upset, courts should preempt the contract claim; when the delicate balance is intact, courts should enforce the contract if it is adequately pled and proved. Under this analysis, many idea-submission contract claims, including the claim in Selby, should avoid preemption because they involve undisclosed ideas contained in unexploited media of expression. However, under this analysis, copyright law would preempt the contract claims involved in ProCD and Wrench.

A. The Delicate Balance of Copyright Law

Copyright policy has its root in and derives its principal goal from the constitutional grant of power to Congress “[t]o promote the [p]rogress of [s]cience and useful [a]rts, by securing for limited [t]imes to [a]uthors and [i]nventors the exclusive [r]ight to their respective [w]ritings and [d]iscoveries.” In other words, copyright law seeks promotion of the public good through a proliferation of works of art, music, literature, film, and science, so that the public may enjoy and learn from existing works and also create new, different, and improved works.
Courts and commentators have explained that copyright law achieves its goal of furthering learning and knowledge through a delicate balance between economic incentives for the creator-author of a work and maintenance of the free flow of ideas for the public.¹⁹⁸ This Note envisions copyright policy as a balancing scale: on one side is the creator-author and on the other side is the public. Copyright policy seeks to grant the public as much benefit as possible in the form of new ideas and works of authorship; however, maximizing public benefit depends on giving something back to the creator-author. As Professor Karjala writes, the outcome of this balancing, at least in theory, is that the public, the creator-authors, and the creator-authors' competitors are all better off: "By honing these balances as carefully as possible, courts attempt to optimize control and return to past authors, create a nurturing environment for future authors, and assure a good supply of desirable works for consumers."¹⁹⁹

B. The Creator-Author's Side: The Incentive System

Copyright law uses an economic incentive system to place weight on the creator-author's side of the balancing scale. This incentive system gives authors a limited monopoly in the particular expression of their work in order to make the creative process economically worth-
Section 106 of the Copyright Act gives to the creator-author the exclusive right, subject to express statutory limitations, to do or authorize others to do certain enumerated actions: to reproduce, distribute, perform, display, and to create derivative works based upon the copyrighted work.

As Professor Kreiss points out, these rights involve making money from the expressive work, and the exclusivity of the rights "enable the author to prevent others from engaging in these money-making acts, thereby reserving to the author the ability to gain the economic rewards from the work." Kreiss further points out that when a creator-author "commercializes" her work and attempts to make money from reproduction, public distribution, public performance, or public display of her work or derivative works, "we should treat the author as having sought the economic benefits of copyright law." For purposes of this Note's proposed preemption analysis, when creator-authors commercialize their work, they enter into copyright law's incentive system and accordingly owe certain rights to the public in order to maintain the requisite balance.

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200 See Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 558 (1985) ("By establishing a marketable right to the use of one's expression, copyright supplies the economic incentive to create and disseminate ideas."); Kreiss, supra note 197, at 4-5. Another commentator explains the economic incentive system as a means of overcoming a "public goods problem." O'Rourke, supra note 35, at 483-84.


202 Kreiss, supra note 197, at 14.

203 Kreiss defines the term "commercialization" as doing, in a commercial or public setting, any of the acts that are reserved exclusively to the copyright owner by the Copyright Act under 17 U.S.C. § 106 and that would be copyright infringement if done by another without authority of the copyright owner, whether these acts are done for profit or not; except that the sale of the original copy of a work is not, in and of itself, a commercialization.

Id. at 15 (citation omitted).

"Commercialization" may often overlap with "publication" of a work, but Kreiss points out that a work may be commercialized without being published: an example being the source code of computer programs. Id. at 25. Kreiss argues that "commercialization" is a better term than publication because it "more accurately captures the stage at which an author attempts to exploit the copyright." Id. For purposes of this Note, the key aspect of Kreiss's definition of commercialization is that it occurs in a "commercial or public setting." Id. at 15, because one obvious difference between shrinkwrap licenses and most idea contracts is that shrinkwrap licenses accompany a widely-distributed product, whereas idea contracts often concern as yet inaccessible and undisclosed material. The reader should note that Professor Kreiss considers commercialization to exist "when an author of a screenplay authorizes the creation of a movie based on the screenplay." Id. at 18. Thus, the typical screenwriter making an idea submission does not commercialize her work because she does not authorize the creation of a movie based on the idea, but merely agrees to disclose the idea in return for remuneration should the recipient choose to use the idea.

204 Id. at 19.

205 See id.
C. The Public's Side: Inherent Limitations on the Copyright Monopoly

Copyright law also puts weight on the public’s side of the balancing scale to limit the author’s copyright rights and “to avoid the effects of monopolistic stagnation.”\footnote{206} In order to maintain the metaphor of the balancing scale, one may think of each of the limitations placed on the creator-author’s rights as actually being positive rights held (in a bundle) by the public—the public’s copyright rights.\footnote{207} These rights consist of limitations on the time a copyright owner enjoys exclusive rights, limitations on what actions will infringe on the copyright owner’s exclusive rights, and limitations on what aspects of a creative work the exclusive rights protect in the first place.

First, as the Constitution mandates,\footnote{208} copyright’s monopoly is limited in duration, usually to the creator-author’s life plus seventy years.\footnote{209} Quite simply, this limitation promotes public access to information and expressive material because it ensures that eventually the creator-author of a work of authorship (or more accurately the creator-author’s successors in interest) will have no exclusive rights at all.

Second, the doctrine of fair use limits the exclusive rights of copyright owners by granting to the public the privilege of using copyrighted material in a reasonable manner without the copyright owner’s consent.\footnote{210} Fair use allows the public (subject to judicial bal-}

\footnote{207} It is helpful to think of copyright law as giving the public something positive to put weight on their side of the scale, rather than imagining that the balance derives merely from taking rights away from creator-authors.
\footnote{208} See U.S. Const. art. I, § 8, cl. 8 (granting to authors the exclusive rights to their writings and discoveries for “limited [t]imes”).
\footnote{209} 17 U.S.C. § 302(a) (Supp. IV 1998) (setting the duration of copyright for works created on or after January 1, 1978). For a more detailed discussion of the duration of copyright protection, including duration for works made for hire, anonymous works, pseudonymous works, and works originally created and published or registered prior to January 1, 1978, see U.S. Copyright Office, Copyright Basics 5-6 (2000) [hereinafter Copyright Basics], available at http://www.loc.gov/copyright/circs/circ1.html.
\footnote{210} See Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 599, 547 & n.2, 549-60 (1985). As the Court in Harper & Row points out, § 107 of the 1976 Copyright Act codified the previous common law doctrine. Id. at 549; see also 17 U.S.C § 107 (1994) (“[T]he fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means . . . for purposes such as criticism, comment, news reporting, teaching, . . . scholarship, or research, is not an infringement of copyright.”). The statutory provision provides four nonexclusive elements for courts to consider in deciding whether a use is “fair” or not:

(1) the purpose of character and the use, including whether such use is [for profit or not];
(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.
ancing of the four § 107 factors) to reproduce a creator-author's expressive material for purposes of research, scholarship, book reviews, parody, news reports, teaching, and even for making recordings of television programs for viewing at a later time. This public copyright right promotes public access to information and the creation of new, different, and perhaps better works.

The third (and most important for our topic) public copyright right is the right to use uncopyrightable facts and ideas. As Justice O'Connor explained in *Feist Publications, Inc. v. Rural Telephone Service Co.*,

[to this end [of promoting the progress of science and the useful arts], copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work . . . . This principle, known as the idea/expression or fact/expression dichotomy, applies to all works of authorship.

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211 See generally Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 577-78 (1994) (recognizing that the fair use doctrine "calls for case-by-case analysis," and that the statutory factors must be "weighed together, in light of the purposes of copyright").


214 See Horace G. Ball, *The Law of Copyright and Literary Property* § 125, at 260 (1944) ("[T]he author's consent to a reasonable use of his copyrighted works has always been implied by the courts as a necessary incident of the constitutional policy of promoting the progress of science and useful arts, since a prohibition of such use would inhibit subsequent writers from attempting to improve upon prior works.").

215 See Harper & Row, 471 U.S. at 547-48. The Court first noted: [N]o author may copyright facts or ideas . . . . The copyright is limited to those aspects of the work—termed "expression"—that display the stamp of the author's originality." Id. at 547 (citation omitted). The Court then continued: [C]opyright does not prevent subsequent users from copying from a prior author's work those constituent elements that are not original—for example, . . . facts, or materials in the public domain—as long as such use does not unfairly appropriate the author's original contributions." Id. at 548.


217 Id. at 349-50 (citation omitted). The idea/expression dichotomy is codified in § 102(b) of the Copyright Act, which states: "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." 17 U.S.C. § 102(b) (1994). House Report 1476 explains that Congress intended to leave intact previous understandings of the idea/expression dichotomy. See H.R. REP. No. 94-1476, at 57 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5670 ("Section 102(b) in no way enlarges or contracts the scope of copyright protection under the present law. Its purpose is to restate, in the context of the new single Federal system of copyright, that the basic dichotomy between expression and idea remains unchanged."). Accordingly, the public may (at least with respect to copyright law) copy an idea found in a book, newspaper article, film, or computer program. This
The idea/expression and fact/expression dichotomies severely limit the creator-author's bundle of copyright rights and greatly expand the public's bundle of copyright rights in hopes of promoting access to information and stimulation of new works. The benefit to the public is clear:

The idea/expression distinction of copyright is crucial to the optimal advance of culture. We refuse to protect ideas under copyright not because ideas show no intellectual creativity. Many ideas are in fact highly creative (think of the theory of relativity—first announced in a clearly copyright-protected work). Rather, we do not protect ideas because to do so would not provide an incentive to creation that would outweigh the harm resulting from tying up so many cultural building blocks. Even if 99 purchasers out of 100 never have any intention whatsoever of using the work for anything other than their own reading or consumption pleasure, the use by that 100th purchaser of the work as a starting point for an improved theory is crucial to cultural progress.

Along with the limited duration of exclusive rights and the doctrine of fair use, these dichotomies define the outer limits of the creator-author's copyright rights and help maintain the delicate balance of copyright law.

D. Maintaining the Quid Pro Quo: Application of the Delicate Balance to Contract Preemption Analysis

The delicate balance of copyright law entails trade-offs between the rights of creator-authors and the rights of the public; both sides benefit from copyright law and both sides make sacrifices because of copyright law. The creator-author gains exclusive rights to (and the right to authorize others to) reproduce, distribute, perform, display,
or create derivative works from her particular expression,\textsuperscript{220} and thereby makes money from her creation.\textsuperscript{221} But the creator-author also gives up the right to prevent others from exploiting the ideas and facts contained within that expression\textsuperscript{222} and the right to prohibit others from making fair use of the expression itself.\textsuperscript{223} The public's benefits and sacrifices are just the reverse. As one commentator explains, the delicate balance of copyright is a "quid pro quo."\textsuperscript{224}

The essential policy question in this Note's proposed contract preemption analysis, then, is whether a particular contract upsets this quid pro quo and thus merits preemption. Several commentators have suggested that shrinkwrap licenses that attempt to expand the creator-author's copyright rights upset the delicate balance of copyright law and should be preempted.\textsuperscript{225}  

\textit{ProCD, Inc. v. Zeidenberg}\textsuperscript{226} provides a good example of how shrinkwrap licenses may upset the delicate balance of copyright law. The shrinkwrap license in \textit{ProCD} forbade users of the plaintiff's CD-ROM database from making the software and telephone listings contained in the database available to other users.\textsuperscript{227} The defendants violated the shrinkwrap license by uploading the telephone listings to their own computer, combining the listings with their own search engine, and making the listings available over the Internet.\textsuperscript{228} As facts, these listings were uncopyrightable, as the Supreme Court made clear in \textit{Feist Publications, Inc. v. Rural Telephone Service Co.},\textsuperscript{229} and thus the defendants should have been free to exploit them.

\textit{ProCD}, the creator-author of the database, had commercialized its work of authorship by widely distributing it to the public for remu-

\begin{itemize}
\item \textsuperscript{221} See supra Part IV.B.
\item \textsuperscript{222} See supra notes 215-17 and accompanying text.
\item \textsuperscript{223} See supra notes 210-14 and accompanying text.
\item \textsuperscript{224} Kreiss, supra note 197, at 20. Kreiss writes:
\begin{quote}
In order for the means [namely, the economic incentive system established by copyright law] to further the ends [namely, advancement of learning and knowledge], the copyrighted works must be accessible. When an author commercializes a work, the author gets the economic reward intended by the copyright system. If the work is accessible, the public and competitors get the benefit of being able to study the work's ideas and expression. In this circumstance, there is a quid pro quo. Both sides get the benefit that the copyright system was designed to produce.
\end{quote}
\item Id. (footnotes omitted).
\item \textsuperscript{225} See, e.g., Elkin-Koren, supra note 177, at 94; Karjala, supra note 3, at 512; Nimmer et al., supra note 35, at 23.
\item \textsuperscript{226} 86 F.3d 1447 (7th Cir.), rev'd 908 F. Supp. 640 (W.D. Wis. 1996); see supra Part II.A.
\item \textsuperscript{227} ProCD, 86 F.3d at 1450.
\item \textsuperscript{228} ProCD, 908 F. Supp. at 645.
\item \textsuperscript{229} 499 U.S. 340, 351 (1991) ("In no event may copyright extend to the facts themselves.").
\end{itemize}
ProCD took advantage of the economic incentive provided by copyright law by garnering protection for the particular expression of the listings it had created. Yet ProCD's shrinkwrap license purported to deprive the public of its copyright right to make use of facts that are in the public domain. Thus, the shrinkwrap license in ProCD toppled copyright's quid pro quo, and the district court reached the correct result in preempting it.

In contrast, many contracts to protect ideas present a different scenario. Consider, for example, the plaintiff screenwriter in Selby v. New Line Cinema Corp. At the time of his alleged agreement with New Line, Selby had conceived of his idea for "Doubletime," written it down, and obtained copyright registration for it, but he had not distributed it to the public. At least for purposes of the motion to dismiss, the court assumed that Selby and New Line had an implied-in-fact agreement that New Line would pay Selby for his ideas if New Line used them to produce a movie based on them. The question is whether this contract offends copyright policy in the same way as the shrinkwrap license discussed above.

There is one important similarity between Selby's contract and a shrinkwrap license. Selby was trying to protect from misappropriation something that copyright law excludes from protection: an idea. Does this mean that enforcing his contract would upset the delicate balance of copyright? The answer is "no" because copyright's quid pro quo remained intact, even if the contract barred New Line from using Selby's idea. Unlike the database provider who sent its expressive material out into the stream of commerce with a shrinkwrap license attached, Selby had not commercialized his work. Selby may have been exercising his exclusive rights by making copies of his work or distributing the work to New Line, but he was not doing so in a truly commercial or public setting. Thus he had not garnered the economic benefits provided by copyright's incentive system. It is true that Selby probably wanted to exploit the incentive system of copy-

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230 See ProCD, 86 F.3d at 1449-50. That ProCD had commercialized its product is clear from the fact that Zeidenberg purchased his copy of the software at a retail store. See id. at 1450. Thus, ProCD had exercised some of the exclusive rights of copyright—namely, reproduction and distribution—and did so in a public or commercial setting. See supra note 203 and accompanying text.

231 ProCD, 908 F. Supp. at 644.

232 See supra notes 215-17 and accompanying text.

233 96 F. Supp. 2d 1053 (C.D. Cal. 2000); see supra Part II.B.3.

234 Selby, 96 F. Supp. 2d at 1054-55.

235 Id. at 1057.

236 See supra notes 1-4, 215-17 and accompanying text.

237 See supra note 220 and accompanying text.

238 See supra note 203 and accompanying text.

239 See supra Part IV.B.
right law, and that if the deal between Selby and New Line had gone through, he would have done so (when New Line made a movie and distributed it to theaters). However, at the point of disclosure, prior to dissemination to the public at large, Selby had gained no economic return from copyright law and owed nothing to the public in order to keep the delicate balance intact. The balance was already perfect: Selby made no money from the work (at least no money derived from copyright protection), and the public received no free access to the information. The public should not have been able to claim any right to exploit Selby's idea because he had not yet sent it out into the stream of commerce.

Besides not disrupting the delicate balance of copyright, contracts like Selby's actually promote the ultimate goal of copyright law: the furtherance of learning and knowledge through widespread dissemination of ideas, works, and information to the public. Quite simply, if Selby is allowed to protect an uncopyrightable idea at the time of disclosure, then he will be more willing to disclose it. Furthermore, once Selby has disclosed the idea to New Line, then New Line can make a movie from it. Then, if New Line disseminates the movie, the public would be free to enjoy and exploit the idea as their own because of the idea/expression dichotomy and the delicate balance of

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240 See Karjala, supra note 3, at 524 ("Copyright's public/private quid pro quo is also in balance when the copyright owner forgoes the economic benefits of widespread distribution and limits access to the work."). Karjala also explains: "A writer should, for example, be able to enforce an agreement not to use the underlying idea of her unpublished novel or script, if such agreement is a condition to access that is not otherwise available." Id. at 513.

241 See Kreiss, supra note 197, at 5-6 ("For a work that is not commercialized, the exchange is fair: the public receives no access and hence nothing of value; similarly, the author receives no economic return from a copyrighted work that is not commercialized.").

242 This Note's framework makes a critical distinction based on whether a creator-author has commercialized the expressive material that contains the idea in question. This approach is sound because (1) commercialization identifies the point at which a creator-author takes advantage of copyright law's incentive structure and thus owes something in return, see supra Part IV.B.; (2) protecting ideas prior to commercialization is both fair to the creator-author and creates an incentive for the creator-author to make initial disclosures that facilitate eventual commercialization, which in turn leads to increased public access to creative works and ideas, cf. Desny v. Wilder, 299 P.2d 257, 265 (Cal. 1956) ("As counsel for the Writers Guild aptly say, ideas 'are not freely usable by the entertainment media until the latter are made aware of them.'"); McGovern, supra note 5, at 503-06 (noting that "[w]hile the idea itself may be free, finding the idea is a service that people are willing to pay for," that "[l]ike any server, the idea-man provides a means to an end," and that "[e]ven though the end would ordinarily cost nothing, it should not follow that the means to the end is also free for the taking"); and (3) protecting ideas through contract after commercialization is unfair to the public because all interested parties are not represented in the contracting process, cf. Karjala, supra note 3, at 519 (discussing the negative third party effect involved when parties enter into shrinkwrap agreements after commercialization).

243 See supra notes 196-97 and accompanying text.
copyright law. On the other hand, if the law refuses contract protection to Selby's idea at the point of its initial disclosure, then he and other authors, screenwriters, and advertising agencies will not feel comfortable disclosing their ideas. After all, in this state of affairs, neither copyright nor contract protects their ideas, and idea-recipients can pilfer them with impunity.

In sum, courts should not preempt claims involving fully-barred-for contracts to protect ideas formed in the context of the initial disclosure of a previously inaccessible idea, even when the contractually prohibited act is one reserved to the copyright owner under 17 U.S.C. § 106.

As a final variation, consider, for example, the contracts involved in Wrench LLC v. Taco Bell Corp. supr and Endemol Entertainment B.V. v. Twentieth Television Inc. supr. In the case of Wrench, this Note's policy analysis suggests that the district court correctly preempted Wrench LLC's implied-in-fact contract claim. At the time of its alleged contract with Taco Bell, Wrench LLC had already commercialized its Psycho Chihuahua materials by injecting Psycho Chihuahua T-shirts and other Psycho Chihuahua merchandise into the stream of commerce. supr. In other words, Wrench LLC enjoyed the economic benefit of copyright's incentive system by commercializing its expressive material (or authorizing others to do so in return for money). supr Thus, in order to maintain copyright policy's quid pro quo, Wrench LLC had to submit to limitations on its copyright rights, including the inability to protect underlying ideas.

The Endemol situation at first appears similar to that in Wrench because the plaintiff had distributed the television show "Forgive Me" in Europe for years before entering into negotiations with Jonathan Goodson. supr However, Endemol's distribution in Europe does not implicate U.S. copyright law's incentive system in the same way as distribution in the United States. The interaction between copyright's delicate balance and foreign distribution of expressive materials is beyond the scope of this Note and would perhaps provide a fruitful avenue for further research.

From the examples discussed above, one can derive a framework for analyzing whether copyright policy demands that courts preempt a particular contract. Courts should look at whether the creator-author

244 See supra Part IV.A, C.
245 51 F. Supp. 2d 840 (W.D. Mich. 1999); see supra Part II.B.2.
246 48 U.S.P.Q.2d 1524 (C.D. Cal. 1998); see supra Part II.B.1.
247 Wrench, 51 F. Supp. 2d at 842 ("Plaintiffs initially marketed Psycho Chihuahua on a small scale through use on T-shirts and other merchandise. However, by early 1996, Wrench had licensed the rights to produce the apparel to several large manufacturers.").
248 See id.
249 Endemol, 48 U.S.P.Q.2d at 1524 (typeface altered).
is attempting through contract to displace the public's copyright rights while simultaneously taking advantage of copyright's incentive system by placing his expressive material into the stream of commerce—that is, whether the creator-author has commercialized the relevant expressive material.\textsuperscript{250} If a creator-author has commercialized the expressive material, then he may not through contract tilt the delicate balance of copyright law by appropriating rights that copyright law grants to the public, such as fair use and the right to exploit uncopyrightable material. Courts should preempt claims involving these one-sided contracts if the defendant breaches the contract by performing an act reserved to the copyright owner under 17 U.S.C. § 106. On the other hand, if the creator-author has not commercialized the work, then copyright policy suggests that he may contract to protect uncopyrightable material, such as ideas or facts, so long as this protection is merely a condition of disclosure (especially when subsequently the expressive material will enter the stream of commerce unfettered by contractual restrictions against public use). Courts should enforce this latter type of contract, even if the defendant breaches the contract by merely performing an act reserved to the copyright owner under § 106.

\section*{Conclusion}

This Note has examined the current state of the law surrounding copyright preemption of contracts to protect ideas, especially when a contract prohibits the idea-recipient from performing an act reserved to a copyright owner under 17 U.S.C. § 106. To alleviate the logical impasse that emerges when courts attempt to determine whether contract rights and copyright rights are "equivalent" within the meaning of 17 U.S.C. § 301, courts should (as part of their § 301 analysis) consider how the particular contract in question interacts with copyright policy. If courts follow this suggestion, then copyright law will be able to further its ultimate goal of promoting "the \[p\]rogress of \[s]\!cience and useful \[a]\!rts,"\textsuperscript{251} and idea-persons will be able to protect their ideas that are embodied in as yet undisclosed and unexploited expressive materials. Because this protection for undisclosed ideas promotes the confident exchange of ideas, this protection will in turn help society maximize its enjoyment of all the fruits of new ideas by facilitating the cooperative process through which an idea becomes a reality.

\textsuperscript{250}See \textit{supra} note 203.
\textsuperscript{251}U.S. \textit{Const.} art. I, § 8, cl. 8.