

Straightening Out Copyright Preemption

By Schuyler Moore*

TABLE OF CONTENTS

| | |
|--|-----|
| I. INTRODUCTION..... | 201 |
| II. STATUTORY BASIS FOR PREEMPTION | 202 |
| III. THE NIMMER ANALYSIS | 203 |
| IV. SUGGESTED PREEMPTION ANALYSIS | 204 |
| V. SUMMARY..... | 209 |

I. INTRODUCTION

Where does the law draw a line between the U.S. Copyright Act, on the one hand, and state law, on the other? When can a plaintiff bring a state law cause of action for a claim that relates to a work that falls within the subject matter of copyright? When are such claims preempted by the Copyright Act? These are not idle, procedural questions. The answers to these questions often determine whether or not the plaintiff's state law claim lives or dies, yet the case law is in chaos on these issues, and there is, to date, no logical, rational analysis to determine the answers.

Let's start with the basics. The U.S. Copyright Act provides extensive protections for "works of authorship fixed in any tangible medium of expression."¹ This definition covers works that are recorded in some

* Schuyler M. Moore is a partner in the corporate entertainment department at the Los Angeles office of Stroock & Stroock & Lavan, LLP. Mr. Moore has been practicing in the entertainment industry since 1981, and he represents a broad spectrum of clients throughout the entertainment industry, including producers, sales agents, foreign distributors, and financiers. Mr. Moore is the author of *THE BIZ: THE BASIC BUSINESS, LEGAL AND FINANCIAL ASPECTS OF THE FILM INDUSTRY* (Silman-James Press), *TAXATION OF THE ENTERTAINMENT INDUSTRY* (Panel Publishers), and *WHAT THEY DON'T TEACH YOU IN LAW SCHOOL* (William S. Hein & Co.). He is an adjunct professor at UCLA School of Law, teaching Entertainment Law, and a frequent speaker and writer on a wide variety of entertainment subjects.

¹ Copyright Act, 17 U.S.C. § 102(a) (2002). Henceforth, all section references shall be to the Copyright Act unless otherwise noted.

permanent form, such as books, tape recordings, films, and pictures. Throughout this article, such works will be referred to as “Tangible Works.” Tangible Works may not qualify for copyright protection for a host of reasons, including:

- The tangible work must be “original” (although only a very low level of originality is required).²

- The term of copyright protection may have expired.³

- The Tangible Work may contain only unprotectable ideas.⁴ While a specific “expression” of an idea is protectable, ideas themselves are not protected under the Copyright Act.

- The Tangible Work may have entered the public domain through acts of the owner.

Each of these exceptions is worthy of a separate article, but the point here is simply that not all Tangible Works are entitled to copyright protection. If a Tangible Work does qualify for copyright protection, the owner of the copyright to the Tangible Work is granted the exclusive right to exploit the work in the following specified ways:⁵

- To prepare derivative works. These are other Tangible Works that are based upon or substantially similar to the original Tangible Work.

- To distribute copies of the Tangible Work by sale, lease, or other transfer.

- To perform the Tangible Work.

- To display the Tangible Work.

- To reproduce the Tangible Work.

Again, this is a brief summary of a complex area of law, but the point is that the owner of the copyright to a protected Tangible Work is granted *specific* exclusive rights, and these rights are not all-encompassing. To pick only one example, the owner of the copyright does not have the right to prohibit public burnings of copies of the Tangible Work. For purposes of this article, the exclusive rights granted by the Copyright Act will be referred to as the “Exclusive Rights.”

II. STATUTORY BASIS FOR PREEMPTION

The specific statutory basis for preemption is section 301(a), which provides as follows:

² *Id.* at § 102(a).

³ *Id.* at § 302.

⁴ *Id.* at § 102(b).

⁵ *Id.* at § 106.

On or after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any work under the common law or statutes of any State.

In summary, the Copyright Act provides that no state may provide protections (statutory or common law) for Tangible Works that are equivalent to the Exclusive Rights. Several important observations:

- As discussed above, not all Tangible Works qualify for copyright protection, but the statute preempts state laws *even* when the Tangible Work does *not* qualify for copyright protection.
- The statute does not preempt *all* state laws that relate to Tangible Works; it only preempts state laws that provide “equivalent rights” to any of the Exclusive Rights.
- The statute applies to all state laws, whether common law or statutory.

There is also a broader concept of copyright preemption that applies merely by virtue of the existence of the Copyright Act itself. That is, it is clear that Congress intended to “occupy the field” of copyright protection by enacting the Copyright Act, even apart from the specific provisions of section 301(a). However, the case law analysis of preemption has been substantially identical whether the courts view the issue under the specific provisions of section 301(a) or under the broader Copyright Act implied preemption approach.

If copyright preemption does not apply, the plaintiff can bring a state law claim. The plaintiff may *also* be able to bring a copyright claim as well. In other words, while a finding of copyright preemption means a claim must be brought under the Copyright Act or not at all, a finding of no copyright preemption permits any manner of claim to be brought, including a Copyright Act claim (if one exists).

III. THE NIMMER ANALYSIS

The treatise *Nimmer on Copyright* is the bible of copyright law. Indeed, it is rare to find a decision dealing with copyright where that treatise is not cited. Thus, it is not surprising that the courts have turned to that treatise in cases analyzing copyright preemption, and the analysis provided in that treatise has become known as the “extra element” test. In essence, it states that a state law relating to protection of a Tangible Work is preempted by the Copyright Act *unless* liability

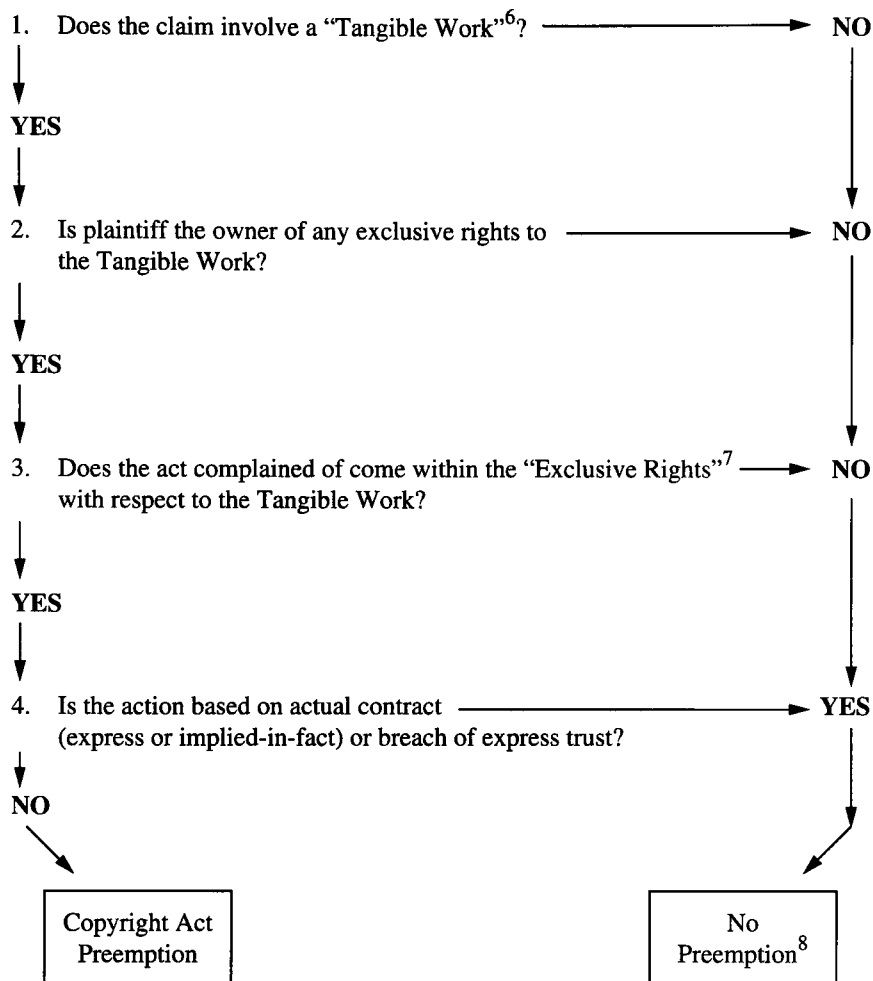
under the state law requires some “extra element” that goes beyond the Exclusive Rights. The problem with this test is that it does not provide any real guidance to the courts. There is always *some* difference between the state law and the Copyright Act, so a court that wants to avoid preemption can always find some difference, however small, that is the “extra element” needed to avoid preemption. The net result is that courts seem to first decide independently whether or not they think preemption should apply, and then label the result accordingly. When there is preemption, no “extra element” is found, and when there is no preemption, it is. Thus, the “extra element” test has proved circular in practice, and the cases are ad hoc, inconsistent, or wrong.

The goal of this article is to suggest a framework of analysis, with the long-term goal (I can dream, can't I?) of creating some consistency in the case law on this issue.

IV. SUGGESTED PREEMPTION ANALYSIS

The simplest way to summarize my suggested preemption analysis is to set it forth in the flow chart on the following page:

PREEMPTION ANALYSIS



As set forth on the flow chart, the first inquiry should be whether the claim involves a Tangible Work. This may seem self-evident, but it is at least worth making this initial inquiry for precision. With minor exceptions, if there is no Tangible Work in sight, then copyright preemption can not apply. Again, it is important to emphasize that this

⁶ "Tangible Work" means tangible works of authorship under § 102, whether or not protected (e.g., public domain, term expired, containing only unprotectable ideas, or not original).

⁷ "Exclusive Rights" means the exclusive rights protected under § 106 (e.g., copying, preparing derivative works, displaying publicly).

⁸ This does *not* mean plaintiff wins. Many cases hold that plaintiff loses because of copyright preemption, when they should lose on the merits anyway.

analysis applies even if the Tangible Work is not protected by the Copyright Act.

The next inquiry (and the one most often lacking in the courts' analyses) is whether the plaintiff is the owner of any exclusive rights to the Tangible Work, since copyright preemption should only apply in that case. Some examples will highlight this logic.

If I take a picture of my law school students and use it to market a new brand of soup (by putting their picture on the label, and calling it "Smart Soup"), the students are not the owner of any exclusive rights to the Tangible Work (the picture). So, when they sue me under state law, presumably for violation of their right of publicity, this claim should *not* be preempted by the Copyright Act. This point seems self-evident, but in a remarkably bad decision, the Seventh Circuit held that copyright preemption prohibited baseball players from bringing a right of publicity claim based on television broadcasts of their games.⁹ It appears that the court desperately wanted to rule against the baseball players and grasped at straws in coming up with the copyright preemption rationale. What the court should have done was to rule that the right of publicity claim was *not* preempted by the Copyright Act, but the baseball players should have lost on the theory of implied consent to the broadcast. Professional baseball players can hardly say that they did not know the games would be broadcast when they signed on. Unfortunately, the stated rationale of the case has worked its way into other cases, and even the venerable Judge Kozinski of the Ninth Circuit relied on it in his dissent in a case that upheld a right of publicity claim by the actors in *Cheers*.¹⁰

Here is another example. Assume that an enthusiastic film producer has a great idea for a film that she has never written down, and she tells this great idea to a studio executive over lunch. The studio executive then goes back to his office and writes a script based on the idea and proceeds to make a film based on the script. The producer then brings a state law claim (alleging misappropriation, conversion, unjust enrichment, fraud, and other nasty things). Putting aside the question of whether or not the producer should ultimately win the case, the producer should *not* be prohibited from bringing the state law claim on the basis of copyright preemption, because the producer does not own any exclusive rights to the Tangible Work (i.e., either the script written by the studio executive or the film produced by the studio).

⁹ *Baltimore Orioles, Inc. v. Major League Baseball Players Association*, 805 F.2d 663 (7th Cir. 1986), cert. denied, 480 U.S. 941 (1987).

¹⁰ *Wendt v. Host International, Inc.*, 125 F.3d 806 (9th Cir. 1997).

Unfortunately, the case law to date does not ask whether the plaintiff is the owner of any exclusive rights to the Tangible Work, and the case law is rather muddled as a result.

The next inquiry should be whether or not the *act complained of* comes within the Exclusive Rights that are protected by the Copyright Act (e.g., copying, performing, etc.). For example, if someone steals a script I wrote, I can sue him for theft under state law because the Exclusive Rights to do not cover stealing a script. As another example, assume that Bad Company stationed an employee at a baseball game that was broadcast on television, and the employee had a mini-cam and recorded the game, which Bad Company simultaneously broadcast on the Internet. Even though the baseball team owns the televised broadcast, the acts of Bad Company did not violate the Exclusive Rights with respect to the televised broadcast. Rather, Bad Company may have violated the baseball team's rights under state law to the live game itself.¹¹

The final inquiry should be whether or not the action is based on contract, in which case it should *not* be preempted, since in this case the action is based on rights provided in the contract, not under state law, so preemption can not logically apply. However, in order to avoid preemption, a contract action should be based on an *actual* contract, whether written, oral, or implied-in-fact by conduct. On the other hand, a plaintiff should not be able to side-run the Copyright Act by alleging a claim based on equitable notions such as "quasi-contract" or "implied in law" contract, both of which phrases really mean "no contract." An implied-in-fact contract requires that the parties by their conduct expressly reach agreement on all the material terms of the contract. An implied-in-law contract simply means that the court finds that it is "unfair" for the defendant not to pay the plaintiff something, so it is merely another form of state law, which is subject to preemption. These two concepts are obviously light years apart, yet in analyzing Copyright Act preemption, most courts to date treat them the same.¹² Similarly, a claim for breach of *express* trust (whether written or oral) should *not* be preempted by the Copyright Act since this is a species of contract claim. On the other hand, the term "constructive trust" really means "no trust" and is simply an equitable remedy for an otherwise "unfair" result — another form of state law that is subject to preemp-

¹¹ For a fascinating case on similar facts, where the court did not follow this analysis, see *National Basketball Association v. Motorola, Inc.*, 105 F.3d 841 (2d Cir. 1997).

¹² For a rare case that gets it right and clearly distinguishes between implied-in-law and implied-in-fact contracts, see *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446 (6th Cir. 2001), cert. denied, 122 S. Ct. 921 (2002).

tion. Again, plaintiffs should not be able to side-run the Copyright Act with a claim of “constructive trust,” yet to date the courts have sometimes permitted it.

Let’s try applying the foregoing analysis to several fact patterns:

- Assume that one news service releases news bulletins, and another competing news service copies those bulletins and sells them to its customers.¹³ In this case, the first news service is the owner of exclusive rights to a Tangible Work (its news bulletin), the act complained of comes within the Exclusive Rights (copying), and the action is not based on an actual contract or express trust. Thus, any state law claim should be preempted by the Copyright Act, and the first news service should hopefully win under the Copyright Act.

- If someone reads *Gone With the Wind* and decides to write a new book called *The Wind Done Gone* from the perspective of the slaves, any cause of action brought by the owner of the original book (a Tangible Work) should be governed exclusively by the Copyright Act. The owner of the original book is complaining that the new book comes within the Exclusive Rights (preparation of derivative works), and the action is not based on an actual contract or express trust. Whether the owner of the original book wins under the Copyright Act is a difficult question.¹⁴

- A film producer submits a written idea to a studio, and the studio runs off and makes a film based on the idea. The producer should be limited to a claim under the Copyright Act based on preemption. The producer is the owner of exclusive rights to the Tangible Work (the written submission), and the act complained of comes within the Exclusive Rights (preparation of a derivative work). Although several cases have held that the studio’s conduct creates an “implied contract,” the cases are clearly using that term in the sense of an implied-in-law contract (i.e., “no contract”) and not under the more rigorous “implied-in-fact” standard required for an actual contract.

- Paid actors in a film complain that their right of publicity is being violated by advertisements for the film. The actors do not own exclusive rights to the Tangible Work (the film), so their claim should *not* be preempted by the Copyright Act. (However, they better darn well lose their claim under state law on the basis of implied consent!).

The finding that preemption does or does not apply does *not* stop the inquiry. If preemption limits a plaintiff to claims under the Copyright

¹³ *INS v. Associated Press*, 248 U.S. 215 (1918) (permitting a state law claim, but before preemption applied).

¹⁴ *Suntrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257 (11th Cir., 2001).

Act, the plaintiff may or may not win for a variety of factors that depend on the actual claim and the provisions of the Copyright Act. Similarly, the fact that the plaintiff is permitted to bring a state law claim does not mean that the plaintiff will *win* the state law claim. Again, winning or losing depends on the facts and the particular state law right in question. Many cases incorrectly hold that the plaintiff loses based on copyright preemption, when the plaintiff should have lost the state law claim on the merits.

V. SUMMARY

In summary, the current case law in this area is a tangled web that is based on application (or misapplication) of Nimmer's "extra element" test. For an accurate and consistent analysis, the courts should apply a multi-step analysis, as suggested in this article, in order for the case law to be consistent and predictable in this important area of law.

