

# A Preemptive Copyright Ghost Lurking in Breach of Contract Claims: Resolving the Copyright Preemption Analysis

Jessica Nguyen \*

## INTRODUCTION

Supernatural activity has overtaken copyright law, reigniting the pressure to resolve significant legal issues after a period of quiet unrest.<sup>1</sup> *Ghost Hunters*, a Syfy channel reality show following investigators as they study paranormal activity, has provided more than intrigue to viewers every Wednesday night; it has intensified an ongoing debate among the thirteen judicial circuits.<sup>2</sup> While a paranormal team investigates the ghost of a colonel lurking in a Kentucky distillery on next week's *Ghost Hunters* episode,<sup>3</sup> parapsychologist Larry Montz continues to wage his legal battle against NBC Universal (NBC) and Pilgrim Films & Television.<sup>4</sup> Montz

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\* J.D. Candidate 2013, Chapman University School of Law. B.S. 2009 New York University. I would like to acknowledge Professor Judd Funk and Professor John Tehranian for their guidance, advice, and highly entertaining stories that heavily shaped this Comment and my perspective on a career in the entertainment industry. I am tremendously thankful to my family and friends. Their unconditional love and support have pushed me to work hard and strive for the best in everything I do. And finally, I am especially grateful to Ryan Maughan for his understanding and encouragement during the writing of this Comment.

<sup>1</sup> Anna Buono, *Ninth Circuit Revives California Idea Submission Claims*, MEDIA LAW MONITOR (June 13, 2011), <http://www.medialawmonitor.com/2011/06/ninth-circuit-revives-california-idea-submission-claims> (noting that the decision of the en banc panel in *Montz v. Pilgrim Films & Television, Inc.*, 649 F.3d 975 (9th Cir. 2011), revived state law claims that had been regarded as preempted by copyright law).

<sup>2</sup> See *Montz*, 649 F.3d at 977–78.

<sup>3</sup> *Ghost Hunters, Episode: "Distillery of Spirits,"* TV GUIDE, <http://www.tvguide.com/tvshows/ghost-hunters-2011/episode-23-season-7/distillery-of-spirits/191528> (last visited Nov. 5, 2011).

<sup>4</sup> See *Petition for Writ of Certiorari, Pilgrim Films & Television, Inc. v. Montz*, No. 11–143, 2011 WL 3380764, at \*2 (U.S. Aug. 2, 2011) (requesting the Supreme Court to grant certiorari and to rule on an issue of law that will provide guidance to lower courts because this type of conflict continually arises); *Pilgrim Films & Television, Inc. v. Montz*, 132 S. Ct. 550, 550 (2011) (denying certiorari to hear the *Montz* case). The acceptance or denial of certiorari is a strategic move by the Supreme Court. See RICHARD L. PACELLE, JR., BRETT W. CURRY & BRYAN W. MARSHALL, *DECISION MAKING BY THE MODERN SUPREME COURT* 40–41 (2011).

A justice who may wish to reverse a lower court decision nevertheless votes to deny *certiorari* because she realizes that her preferred case outcome is unlikely to prevail at the merits stage. . . . [H]er strategic action of defensively denying *cert* may have prevented an affirmance that would have taken on precedential value. . . . Alternatively, a strategic

claims that he first pitched the idea of a show following paranormal investigators to NBC and the Syfy channel.<sup>5</sup> But both declined to use the idea.<sup>6</sup> NBC then produced *Ghost Hunters* for the Syfy channel, which resulted in *Montz v. Pilgrim Films & Television, Inc.*<sup>7</sup> *Montz* wound its way up to the Supreme Court where the entertainment industry rushed to have its say.<sup>8</sup> The immediate issue in the *Montz* case was whether *federal* copyright law preempted *Montz's* state claims for breach of implied contract and breach of confidence.<sup>9</sup> The test that many courts employ to resolve whether state claims are worthy of surviving preemption has left plaintiffs, defendants, writers, and the media industry with little guidance. This Comment proposes a new test with a clear set of factors to determine what it takes for a state law claim to avoid preemption.

Part I will explain the dynamics of the entertainment industry, the formation of implied contracts in the entertainment industry, and the industry's business structure, which favors media companies and established producers. Part II will discuss the basic foundation of federal copyright law, the necessity of preemption to maintain copyright law, and the role of the "extra element" test in parsing out preempted claims. Part III will examine how the "extra element" test has been applied in different ways among the courts. Finally, Part IV will propose a new test with a distinct set of factors that should be used in lieu of the "extra element" test.

#### I. CONTRACTING FOR IDEAS IN THE ENTERTAINMENT INDUSTRY

The entertainment industry regularly strikes deals, allowing innovators to create the products consumers enjoy most: movies, television shows, music, and video games.<sup>10</sup> The transactions are fluid and efficient because

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justice may vote to hear a case—or pursue an 'aggressive grant' of *certiorari*—when he thinks his preferred policy outcome will be reflected in the Court's ultimate decision on the merits.

*Id.*; see also Eriq Gardner, *Supreme Court Deals Setback to Hollywood, Won't Hear Key 'Ghost Hunters' Case*, THE HOLLYWOOD REPORTER (Nov. 7, 2011, 1:59 PM), <http://www.hollywoodreporter.com/thr-esq/ghost-hunters-trial-syfy-nbc-universal-258280> (noting that the denial of *certiorari* of the *Montz* case leaves studios open to more lawsuits).

<sup>5</sup> *Montz*, 649 F.3d at 978.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> See Press Release, Kelley Drye Files Amicus Brief for U.S. Supreme Court Review of *Montz* Case (Sept. 16, 2011), available at [http://www.kelleydrye.com/news/press\\_releases/2254](http://www.kelleydrye.com/news/press_releases/2254) (announcing that a Los Angeles law firm filed an amicus brief on behalf of the defendants, asking the Supreme Court to review the *Montz* case because the law firm constantly faced litigation in the areas of copyright and idea submission claims).

Many parties are affected by a decision such as this and if the Supreme Court had granted review, its finding would have had broad implications. See *Decision Against NBC Universal for Use of Pitched Television Show Concept Without Compensation/Credit Being Appealed to Supreme Court*, ARENT FOX, (Oct. 10, 2011), [http://www.arentfox.com/publications/index.cfm?fa=legalUpdateDisp&content\\_id=3353](http://www.arentfox.com/publications/index.cfm?fa=legalUpdateDisp&content_id=3353) ("Multiple parties are seeking leave to file amicus briefs in the matter.").

<sup>9</sup> *Montz*, 649 F.3d at 977–79.

<sup>10</sup> See MARK LITWAK, DEALMAKING IN THE FILM & TELEVISION INDUSTRY 11 (2d. ed. 2002)

the entertainment industry is built on relationships, custom, and courses of dealing through the repeated interactions of writers, producers, actors, directors, and studios.<sup>11</sup> For example, studios will typically only accept ideas for new films, television shows, or books from writers who use an agent.<sup>12</sup> The agent acts as a gateway, regulating the relationship between idea creators and the studio.<sup>13</sup> Any unsolicited ideas submitted without representation by an agent are returned to the writer.<sup>14</sup> An agent has an established reputation in the entertainment industry allowing him to negotiate on behalf of a writer to get the best deal possible.<sup>15</sup> Therefore, a person's reputation in the entertainment industry is a crucial component of maintaining expectations, transacting in business, and making deals.<sup>16</sup>

A key component to exchanges in the entertainment industry is acceptance of the implied contract.<sup>17</sup> The implied contract recognizes a

(noting that there is more dealmaking than ever before in the movie industry).

There are a wide range of deals available in the entertainment industry such as cash up front (money is guaranteed), back-end deal (a portion of the cash is taken up front but a share of the product's profit is also taken), working for scale (taking a large pay cut and accepting only the mandated minimum amount of money proscribed by organizations like guilds and unions), and tit for tat (trading something for another). See Daniel Fierman, *Terms of En-deal-ment*, ENTERTAINMENTWEEKLY.COM (Mar. 3, 2000), <http://www.ew.com/ew/article/0,,275563,00.html>.

<sup>11</sup> See Kirk T. Schroder, *Entertainment Law: Some Practice Considerations For Beginners*, 13 ENT. & SPORTS LAW. 8, 10 (1996) (“[T]he entertainment industry thrives on relationships.”); STEPHEN F. BREIMER, ESQ., *THE SCREENWRITER’S LEGAL GUIDE* 172–73 (2d ed. 1999) (establishing that “relationship protection” exists in the entertainment industry: “Agents would not submit material or set up meetings if there was a substantial risk that their clients might be ripped off as a result of such pitch meetings”).

A course of dealing refers to the conduct before the agreement in question. JOHN D. CALAMARI & JOSEPH M. PERILLO, *THE LAW OF CONTRACTS* 161 (4th ed. 1998). It is the series of previous conduct between two parties to a particular transaction that “establish[es] a common basis of understanding for interpreting their expressions and other conduct.” *Id.* (quoting UCC § 1–205(1)). See also LITWAK, *supra* note 10, at 251 (“[A]gents, attorneys, studio executives and producers regularly conduct business with one another and observe an unwritten code of behavior.”).

<sup>12</sup> See Neta-Li E. Gottlieb, *Free To Air?—Legal Protection For TV Program Formats*, 51 IDEA: THE INTELL. PROP. L. REV. 211, 230 (2011) (observing that the relationship between agent and the studio/producer is mutual because the producers rely on the agents to get new ideas).

<sup>13</sup> See LITWAK, *supra* note 10, at 353 (describing how agents will not push too hard on some deal terms because they will have to negotiate with that same person again in the future); MIKE MEDAVOY ET AL., *THE MOVIE BUSINESS BOOK* 100 (Jason E. Squire ed., 2d ed. 1992) (“The agent can help to keep lines of communication open between writer and buyer and to work out problems that might arise from misunderstandings or differences of opinion.”).

<sup>14</sup> See Jonathan H. Anshell, Jennifer B. Hodulik & Allison S. Rohrer, *The Whole Enchilada: Wrench LLC v. Taco Bell Corp. and Idea Submission Claims*, 21 COMM. LAW., no. 4, 2008, at 1, 27 (indicating that a defendant is in a good position to challenge a state law idea submission claim if the plaintiff's submission was unsolicited).

<sup>15</sup> See LITWAK, *supra* note 10, at 353 (describing how agents can negotiate routine deals for clients without the help of a lawyer).

<sup>16</sup> See Gottlieb, *supra* note 12, at 230 (noting that an “agent’s livelihood is based on her reputation”); PHILIP H. MILLER, *MEDIA LAW FOR PRODUCERS* 29 (4th ed. 2003) (“Like any business, the business of media production involves managing many working relationships.”). The success of a project depends on how the relationships are managed. *Id.* Entertainment industry professionals take pride in keeping their word. LITWAK, *supra* note 10, at 251.

<sup>17</sup> See Anna R. Buono & Alonzo Wickers IV, *Montz v. Pilgrim Films & Television, Inc.: Copyright Preemption and Idea Submission Cases*, 28 COMM. LAW., no. 2, 2011 at 4, (recognizing that

*mutual* agreement between a producer and writer:<sup>18</sup> if the producer uses the writer's idea, then the writer will be compensated.<sup>19</sup> This agreement may not be captured in written form, but is merely understood by all the parties involved. The implied contract is a useful tool to get around a written agreement.<sup>20</sup> No express written agreement is necessary, or even preferred, given that the fast-paced nature of the entertainment business calls for efficiency and speed.<sup>21</sup> The process of negotiating and drafting long-form contracts for every deal impedes the flow of business.<sup>22</sup> Similarly, if the implied contract is breached, most cases settle to ensure business

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California law accepts the custom where a producer and author approach a pitch meeting with the "mutual understanding that the author will be compensated and credited if the producer uses her ideas"); *see also* *Stanley v. Columbia Broad. Sys.*, 221 P.2d 73, 85 (Cal. 1950) (Traynor, J., dissenting) (noting that it is not unreasonable to imply "that one would obligate himself to pay for an idea that would otherwise be free to use").

There are two types of implied contracts in contract law: the implied-in-fact contract and the implied-in-law contract. The words or conduct demonstrating the agreement of the parties to a contract give rise to an implied-in-fact contract. *See* 1 RICHARD A. LORD, WILLISTON ON CONTRACTS 35 (4th ed. 2007). An implied-in-law contract, on the other hand, does not require a meeting of the minds but is a concept imposed by the fiction of law for reasons of justice. *See* *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 456 (6th Cir. 2001); RESTATEMENT (SECOND) OF CONTRACTS § 4 (1981); *see also* *Caroline Cnty. v. Dashiell*, 747 A.2d 600, 606 (Md. 2000) (citing BLACK'S LAW DICTIONARY 324 (6th ed. 1990)) (defining an implied-in-law contract as one where circumstances justify implying a contract where none existed, especially in cases where parties place others in the wrong and equity commands that the situation should not have taken place).

<sup>18</sup> *See* *Forest Park Pictures v. Universal Television Network, Inc.*, No. 10 Civ. 5168(CM), 2011 WL 1792587, at \*1 (S.D.N.Y. May 10, 2011) (alleging that the defendants knew at all times that ideas are pitched to studios in order to sell those ideas in return for payment and that it is a standard in the entertainment industry that ideas are pitched with "the expectation of compensation in the event of use"); *Thompson v. Cal. Brewing Co.*, 12 Cal. Rptr. 783, 786 (Cal. Dist. App. 1961) (holding that it is possible for a payment agreement to be implied from the circumstances); *Desny v. Wilder*, 299 P.2d 257, 270 (Cal. 1956) (stating that the circumstances are known to the idea receiver before the idea is conveyed and the receiver accepts the idea disclosure with the conditions that accompany it, i.e. payment); *Chandler v. Roach*, 319 P.2d 776, 780 (Cal. Ct. App. 1958) (describing the writer's assent as submitting his idea to the producer and the producer's assent as his acceptance of the materials).

<sup>19</sup> *Desny*, 299 P.2d at 269 (clarifying that where a producer is the beneficiary of an author's idea and the producer profits from that idea, there is no reason why the producer should not be able to agree to pay for that idea).

Ideas conveyed to a producer or studio can be bargained for and constitute "valuable consideration" because the producer holds it as his own and may use it as he sees fit after the acquisition. *Id.*; *see also* *High v. Trade Union Courier Publ'g Corp.*, 31 Misc. 2d 7, 8 (N.Y. Sup. Ct. 1946) (noting that even if an idea is common knowledge, it can constitute consideration in a promise to pay if the disclosure of the idea is protected by contract).

<sup>20</sup> *See* Michael S. Bogner, Comment, *The Problem with Handshakes: An Evaluation of Oral Agreements in the United States Film Industry*, 28 COLUM. J.L. & ARTS 359, 359 (2004) (stating that the film business is a "handshake business" and relationships in the film industry are based on the handshake); *see also* BROOKE A. WHARTON, THE WRITER GOT SCREWED (BUT DIDN'T HAVE TO) 53 (1997) (stating that while most contracts are not enforceable unless they are signed, the entertainment industry has nothing to do with those types of contracts).

<sup>21</sup> *See* Bogner, *supra* note 20, at 377 (reasoning that the speed of deals requires an agreement between parties even before lawyers can negotiate and execute a written contract); *see also* IATSE LOC. 336, <http://www.iatse-336.org/> (last visited Jan. 6, 2012).

<sup>22</sup> *See* Bogner, *supra* note 20, at 375 (finding that complex deal points are negotiated for long periods of time until they are reduced into a long-form contract and that lawyers may stunt quick deal resolutions because they demand more detail); *see also* WHARTON, *supra* note 20, at 52 (noting that most contracts do not have to be in writing to be enforceable). The contracts in the entertainment industry that *must* be in writing are work-for-hire contracts, assignments, and licenses. *Id.* at 54.

consistency.<sup>23</sup> Therefore, the implied contract is important to the proper functioning and maintenance of the entertainment industry.

While it would be ideal for writers and studios to hold an equal share of the power in an entertainment industry business relationship, this is simply not the case.<sup>24</sup> The lion's share of power is in the hands of producers and well-established media companies.<sup>25</sup> This imbalance is due to several circumstances: (1) the disproportionate number of writers to producers/studios;<sup>26</sup> (2) the use of releases by studios and producers to limit the amount of ideas they receive;<sup>27</sup> and (3) the "independent creation" defense available to producers when they are sued.<sup>28</sup>

First, the number of people clamoring to get into the entertainment industry is staggering.<sup>29</sup> Studios have their pick of ideas and personnel. The nature of supply and demand weighs heavily against the writers.

Second, producers and studios are at liberty to demand that a writer sign a release before submitting an idea, which waives a writer's rights to his material.<sup>30</sup> A producer or studio manages the number of submissions they receive by refusing to accept *unsolicited* ideas unless a release has been signed.<sup>31</sup> But a writer who submits his ideas through an agent usually does not have to sign a release.<sup>32</sup> Therefore, writers without an agent are in the feeble position of either waiving their rights or not having their ideas

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<sup>23</sup> Brian Devine, *Free as the Air: Rethinking the Law of Story Ideas*, 24 HASTINGS COMM. & ENT. L.J. 355, 380 (2001). Lawsuits cost a lot of money and the amount of money at stake may not justify expending legal fees to proceed to litigation. LITWAK, *supra* note 10, at 342–43.

<sup>24</sup> See Camilla M. Jackson, "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, 58 (1996) ("No one in Hollywood has as little power as the aspiring writer . . . and television and film studios have absolutely no incentive—legal or otherwise—to bargain fairly.").

<sup>25</sup> See Jonathan D. Cohen, Note, *Remedies for Misappropriation of Motion Picture and Television Story Ideas*, 7 HASTINGS COMM. & ENT. L.J. 85, 102 (1984) ("A free-lance writer dealing with a major independent producer does not do so on an equal footing.").

<sup>26</sup> See Jackson, *supra* note 24, at 58 ("Due to the small number of major television and movie studios, there is a limited number of people to whom the creator of an idea can submit his or her work. But the number of writers and other creative people who wish to sell ideas is virtually unlimited."); see also BREIMER, *supra* note 11, at 8 (observing that there is a lot of competition in submitting ideas to movie studios).

<sup>27</sup> Devine, *supra* note 23, at 385–86.

<sup>28</sup> See Allison S. Brehm, *Creative Defense*, 33 L.A. LAW 28, 30 (2010) (noting how the "independent creation" defense plays a great role in defeating idea submission claims).

<sup>29</sup> See Elizabeth L. Rosenblatt, *A Theory of IP's Negative Space*, 34 COLUM. J.L. & ARTS 317, 328 (2010) ("[T]here is no shortage of new entertainment ideas or creators striving to break into the entertainment industry.").

<sup>30</sup> See Robert Yale Libott, *Round the Prickly Pear: The Idea-Expression Fallacy in a Mass Communications World*, 14 UCLA L. REV. 735, 764 (1966) (clarifying that a "release form" is a contract of adhesion that waives all right to sue).

<sup>31</sup> See Devine, *supra* note 23, at 364–65 (discussing how the release is used as a tactic to protect producers/studios from liability in a lawsuit).

<sup>32</sup> See WHARTON, *supra* note 20, at 25–26 ("In order to prevent the possibility of a lawsuit, most people in the entertainment business have decided to accept unsolicited work only from agents or lawyers, or after receiving a signed release form from the writer."). An agent is an individual licensed to obtain work for individuals in the entertainment industry. *Id.* at 75. Agents play an important role as intermediaries for the writer and producer. Devine, *supra* note 23, at 365.

heard at all.<sup>33</sup> Producers and studios can make their demands, knowing that they possess greater bargaining power than their writer counterparts.<sup>34</sup> Producers and studios are also better positioned to advantageously alter industry customs because they perpetually hold the upper hand.<sup>35</sup> Writers are therefore left at the whim of the top “players” in the entertainment business.<sup>36</sup>

Lastly, an independent creation defense arms studios and producers with a tool to rebut a writer’s breach of implied contract claim.<sup>37</sup> The independent creation defense rebuts the plaintiff’s claim if a defendant can show he thought of the idea on his own.<sup>38</sup> Even if the defendant produced the disputed work *after* he had access to the plaintiff’s idea, the defendant can still use the defense to defeat an idea submission claim.<sup>39</sup> Once again, the studio and the producer win.

A writer that voluntarily chooses to venture into the entertainment business faces an ongoing struggle.<sup>40</sup> He is forced to adhere to rules dictated by the opposing side.<sup>41</sup> But in abiding by those rules, one of the strongest forms of protection that a writer can have over his work is a copyright.

<sup>33</sup> Devine, *supra* note 23, at 386. *See also* WHARTON, *supra* note 20, at 29 (noting that signing a release will put writers in the position of feeling as if they are giving their work away).

<sup>34</sup> Devine, *supra* note 23, at 386.

<sup>35</sup> *Id.* at 385 (observing that producers can adjust their behavior in response to legal rules that could potentially affect their liability).

<sup>36</sup> *See* Cohen, *supra* note 25, at 102 (noting that the relationship between a writer and producer is unbalanced); MARK LITWAK, CONTRACTS FOR THE FILM & TELEVISION INDUSTRY 5 (1998) (mentioning that it is difficult for writers to get in the door to see producers); LITWAK, *supra* note 10, at 251 (referring to the top Hollywood dealmakers as “players”).

<sup>37</sup> Allison S. Brehm, *What’s the Use? A Primer on the Defense of Independent Creation to Combat Allegations of Idea Theft*, 1 ARIZ. ST. SPORTS & ENT. L.J. 94, 96–97 (2011). To prevail on a breach of implied contract claim, a plaintiff must prove: (1) he prepared the work; (2) he disclosed the work to the defendant; (3) the defendant voluntarily accepted the disclosure with knowledge of the circumstances; (4) the reasonable value of the work; and (5) the defendant used the plaintiff’s work. *Star Patrol Enters., Inc. v. Saban Entm’t, Inc.*, 129 F.3d 127, at \*1 (9th Cir. 1997) (citing *Klekas v. EMI Films, Inc.*, 198 Cal. Rptr. 296, 304 (Cal. Ct. App. 1984)). *See also* *Mann v. Columbia Pictures, Inc.*, 180 Cal. Rptr. 522, 533 (Cal. Ct. App. 1982) (including an additional element that the defendant used the plaintiff’s idea, meaning that the defendant substantially based his work on the plaintiff’s ideas).

<sup>38</sup> Brehm, *supra* note 37, at 96–97.

<sup>39</sup> *See id.* at 110 (explaining that defendants can still use the independent creation defense even *after* the defendant has heard the plaintiff’s idea by showing that the defendant created the work without access to the plaintiff’s idea through producing declarations or showing the work was made from other sources).

<sup>40</sup> *See* Cohen, *supra* note 25, at 102 (observing that where a producer and writer contract with each other, an enormous amount of power lays in the hands of the producer). “It is difficult to imagine any producer agreeing to terms that are substantially favorable to the writer, as the producer has access to a veritable sea of ideas, generated both by other outside free-lance hopefuls and by inside production personnel.” *Id.*

<sup>41</sup> *See* Cohen, *supra* note 25, at 102.

## II. THE BASICS OF COPYRIGHT, PREEMPTION, AND THE EXTRA ELEMENT TEST

A copyright protects the labor and investment a person has put into a particular piece of work<sup>42</sup> by granting the author “a series of exclusive rights.”<sup>43</sup> To prevail on a copyright infringement claim, a plaintiff must prove: (1) ownership of a valid copyright<sup>44</sup> and (2) the infringing party copied original elements of the copyrighted work.<sup>45</sup> The second requirement will be more challenging for the plaintiff to prove than the first. Without direct evidence of copying,<sup>46</sup> the plaintiff has a heavy burden<sup>47</sup> to show that his work and the infringing work are “substantially similar” in both idea and expression.<sup>48</sup> The test of substantial similarity is

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42 *Laws v. Sony Music Entm't, Inc.*, 448 F.3d 1134, 1145 (9th Cir. 2006). See *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 527 (1994) (quoting *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349–50 (1991)) (clarifying that copyright does not act as an award for the author's labor, but assures his “right to original expression”).

43 *Buono & Wickers IV*, *supra* note 17, at 5. Section 102 of the Copyright Act grants protection to works that are fixed in any tangible medium of expression including (1) literary works, (2) musical works, (3) dramatic works, (4) pantomimes and choreographic works, (5) pictorial, graphic, and sculptural works, (6) motion pictures and other audiovisual works, (7) sound recordings, and (8) architectural works. 17 U.S.C. § 102 (1976).

Section 106 grants the exclusive right (1) to reproduction of the work, (2) to preparation of derivative works based on the copyrighted work, (3) to distribution of the work to the public, (4) to performance of the work publicly, and (5) to display of the work publicly. 17 U.S.C. § 106 (1976).

Article I, section 8 of the Constitution authorizes Congress to grant rights to authors for the work in furtherance of the “Progress of Science and useful Arts.” U.S. CONST. art. I, § 8, cl. 8.

44 To register a copyright, one must file an application with the Copyright Office, pay the fee, and deposit the required number of copies or phonorecords. ROBERT B. CHICKERING & SUSAN HARTMAN, *HOW TO REGISTER A COPYRIGHT AND PROTECT YOUR CREATIVE WORK* 13 (1980). The copyright registration becomes effective on the day when the Copyright Office receives all the materials. *Id.*

45 *Feist Pubs., Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991); see also *Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1163 (9th Cir. 1977) (“The real task in a copyright infringement action, then, is to determine whether there has been copying . . .”), *superseded on other grounds* by 17 U.S.C. § 504(b), as recognized in *Dream Games of Ariz., Inc. v. PC Onsite*, 561 F.3d 983 (9th Cir. 2009).

46 See *Reyher v. Children's Television Workshop*, 533 F.2d 87, 90 (2d Cir. 1976) (observing how difficult it may be to obtain direct evidence of copying).

47 See *Muller v. Twentieth Century Fox Film Corp.*, 794 F. Supp. 2d 429, 447 (S.D.N.Y. 2011) (deciding for summary judgment in favor of the defendant because the similarities were insubstantial); *Smith v. Weinstein*, 578 F. Supp. 1297, 1302 (S.D.N.Y. 1984) (finding dissimilarity because even though there were some similarities, they were “too general or too insignificant to be protectable”); *Buono & Wickers IV*, *supra* note 17, at n.15 (admitting that the court usually finds for the copyright defendant on summary judgment) (citing *Shaw v. Lindheim*, 919 F.2d 1353, 1355 (9th Cir. 1990)).

48 *Berkic v. Crichton*, 761 F.2d 1289, 1292 (9th Cir. 1985); *Funky Films, Inc. v. Time Warner Entm't Co., L.P.*, 462 F.3d 1072, 1076 (9th Cir. 2006); *Sid & Marty Krofft Television Prods., Inc.*, 562 F.2d at 1164 (stating that there must be “substantial similarity not only of the general ideas but of the expressions of those ideas as well.”), *superseded by statute on other grounds*, 17 U.S.C. § 504(b); see also *Reyher*, 533 F.2d at 92–93 (“Since both [works] present only the same idea, no infringement as to protected expression occurred.”); *Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905, 913 (2d Cir. 1980) (“[S]imilarity of idea or function must be distinguished from similarity of artistic expression.”); *Fisher-Price, Inc. v. Well-Made Toy Mfg. Corp.*, 25 F.3d 119, 123 (2d Cir. 1994) (distinguishing between the plaintiff's demonstration of “similarity,” which applies to the entire work, including idea and expression, not just the protectable elements, and the plaintiff's demonstration of “illegality,” meaning that the plaintiff proves the defendant took the plaintiff's means of idea expression, not merely that the defendant expressed the same idea); *Knitwaves, Inc. v. Lollytogs Ltd.*, 71 F.3d 996, 1002 (2d Cir. 1995)

“whether the accused work is so similar to the copyrighted work that the ordinary reasonable person would conclude that the defendant unlawfully” used the plaintiff’s work.<sup>49</sup> Even if the similarity is a small part of the entire work, substantial similarity can be found if the similarity is “qualitatively” important.<sup>50</sup>

The courts have applied different tests to guide them in determining the adequate level of similarity between two works necessary to meet the substantial similarity test.<sup>51</sup> For example, the Ninth Circuit test employs a

(discussing the analysis of a work that contains protectable and unprotectable elements requires isolating the unprotectable elements and asking “whether the *protectable elements, standing alone*, are substantially similar”).

The “idea/expression dichotomy” is the distinction between an unprotectable idea and its protectable expression. Jonathan S. Caplan, *Copyright Infringement—Application of the Originality Requirement and the Idea/Expression Merger Doctrine to Compilations of Data*—Kregos v. Associated Press, 937 F.2d 700 (2d Cir. 1991), 65 TEMP. L. REV. 275, 275–76 (1992). It limits copyright protection in the case of facts, principles, and ideas. 2 JAY DRATLER, JR. & STEPHEN M. MCJOHN, *INTELLECTUAL PROPERTY LAW: COMMERCIAL, CREATIVE, AND INDUSTRIAL PROPERTY* § 5.01[2], at 5–9 (Law Journal Press 2012).

<sup>49</sup> See Russel J. Frackman, *Litigating Copyright Cases*, PLI Order No. G4 –3954, 419 PLI/Pat 7, 27 (1995); see also Peter Pan Fabrics, Inc. v. Martin Weiner Corp., 274 F.2d 487, 489 (2d Cir. 1960) (explaining that a casual observer would overlook the differences between a plaintiff and defendant’s work unless he actually intended to find the disparities).

<sup>50</sup> See Baxter v. MCA, Inc., 812 F.2d 421, 425 (9th Cir. 1985); Meeropol v. Nizer, 560 F.2d 1061, 1071 (2d Cir. 1977) (finding that even though only less than one percent of the copyrighted letters were copied, they were relevant); Horgan v. MacMillan, Inc., 789 F.2d 157, 163 (2d Cir. 1986) (noting that “[a] snapshot of a single moment . . . may communicate a great deal”). *But see* Concrete Machinery Co. v. Classic Lawn Ornaments, Inc., 843 F.2d 600, 608 (1st Cir. 1988) (stating that copyright infringement will not be found only when slight or trivial variations are found between the two works).

<sup>51</sup> See Frackman, *supra* note 49, at 28.

A sample of the tests to define “substantial similarity” include:

The “abstractions” test: A defendant may take an abstract of the whole copyrighted work. Many patterns of generality can fit around a copyrighted work and the number of patterns increases as specifics are omitted from the abstract until all that may be left is a title or a summary of the work.

Nichols v. Universal Pictures Corp., 45 F.2d 119, 121 (2d Cir. 1930). A point exists where the copyrighted work is no longer protected because the similarity lies in the idea rather than the expression of the idea. *Id.*; see, e.g., Walker v. Time Life Films, Inc., 784 F.2d 44, 49 (2d Cir. 1986) (holding that no substantial similarity existed between a film and a book beyond generalized and nonprotectible ideas because they “differ radically in pace and dramatic structure,” even though they both tell the same story).

The “patterns” test: The “pattern” of a work is protected. Zechariah Chafee, Jr., *Reflections on the Law of Copyright*, 45 COLUM. L. REV. 503, 513–14 (1945). “Pattern” includes the “sequence of events and the development of the interplay of characters.” *Id.*

“Comprehensive nonliteral similarity” and “fragmented literal similarity”: “Comprehensive nonliteral similarity” is a situation where the offending work copies the fundamental essence or structure of another work. 4 MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 13.03[A][1], at 13-39 (Matthew Bender 2012). See, e.g., Feder v. Videotrip Corp., 697 F. Supp. 1165, 1173 (D. Colo. 1988) (holding that a videotape and travel guide did not meet the standard because the similarities in structure and essence are inherent in other travel guides reviewing similar subjects). The “fragmented literal similarity” test entails a situation where pieces of a copyrightable work are taken and used, but the fundamental substance of the work is not copied. The test examines when the similarity becomes so substantial as to constitute infringement. 4 NIMMER, *supra* note 51, § 13.03[A][2], at 13-54. The question becomes “whether the similarity relates to matter that constitutes a substantial portion of plaintiff’s work—not whether such material constitutes a substantial portion of defendant’s work.” *Id.* at 13-54.1 (emphasis added).



two-step process.<sup>52</sup> The first step is an “extrinsic test”<sup>53</sup> that examines whether the general *ideas* are substantially similar, using specific criteria, such as the type of artwork, the materials, the subject matter, and the setting of the story.<sup>54</sup> Satisfying this objective test<sup>55</sup> can be difficult because the analysis depends on the availability and complexity of the evidence.<sup>56</sup> If the extrinsic test is satisfied and the ideas are substantially similar, the analysis progresses to the second step, labeled the “intrinsic test.” This focuses on the *expression* of the idea, such as the final version of a movie or the aired version of a television show.<sup>57</sup> This test is subjective<sup>58</sup> and relies on the perceptions, observations, and impressions of an ordinary, reasonable person who can respond to the expression.<sup>59</sup> Therefore, the extrinsic test resolves whether a defendant has taken the actual idea while

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The “total concept and feel” test: The degree to which it appears to an observer that the defendant captured the total concept and feel of the plaintiff’s copyrighted work. *See* Roth Greeting Cards v. United Card Co., 429 F.2d 1106, 1110 (9th Cir. 1970) (finding that the characters in the art work, the mood the characters portrayed, the totality of the art work “conveying a particular mood with a particular message,” and the word arrangement are substantially similar to the copyrighted work), *superseded by statute*, 17 U.S.C. § 411(a); Warner Bros. Inc. v. Am. Broad. Cos., Inc., 654 F.2d 204, 211 (2d Cir. 1981) (quoting 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.03[E][3], at 13-48 (Matthew Bender rev. ed. 1980)) (finding that the total concept and feel of the two works are different because the plaintiff attempts to meet his burden of proof in an analysis that changes the “actual sequence or construction” of his work to achieve greater similarity with the defendant’s product); Reyher v. Children’s Television Workshop, 533 F.2d 87, 92 (2d Cir. 1976) (holding that the works are not similar in “total feel” because the copyrighted work develops the characters and the allegedly infringing work is void of setting or character development in presenting the theme).

<sup>52</sup> *See* Sid & Marty Krofft Television Prods., Inc. v. McDonald’s Corp., 562 F.2d 1157, 1164 (9th Cir. 1977) (concluding that the requirement of substantial similarity in a copyright infringement claim imposes a two-step analytic process), *superseded by statute on other grounds*, 17 U.S.C.A. § 504(b).

<sup>53</sup> It is labeled the extrinsic test because the resolution of the test does not depend on a judge or jury’s determination but on specific evidence. As such, expert testimony is relevant. *Id.*

<sup>54</sup> *Id.*; *see also* Jason v. Fonda, 526 F. Supp. 774, 777 (C.D. Cal. 1981) (adding to the list of specific expressive elements in a substantial similarity analysis: plot, themes, dialogue, mood, setting, pace, characters, and sequence of events); Berkic v. Crichton, 761 F.2d 1289, 1293 (9th Cir. 1985) (explaining that the substantial similarity test compares “actual concrete elements” that are part of the storyline and the major characters, rather than analyzing the similarities between the basic plot ideas).

<sup>55</sup> Kouf v. Walt Disney Pictures and Television, 16 F.3d 1042, 1045 (9th Cir. 1994).

<sup>56</sup> *See* Scott Hervey, *The Complexity of Proving Copyright Infringement*, WEINTRAUB GENSHEA CHEDIAK: THE IP LAW BLOG, (Feb. 20, 2007), <http://www.theiplawblog.com/archives/-copyright-law-the-complexity-of-proving-copyright-infringement.html> (opining that the extrinsic test focuses on “articulable similarities between protectable elements,” rather than the basic plot ideas).

<sup>57</sup> *See* Sid & Marty Krofft Television Prods., Inc., 562 F.2d at 1164 (noting that “[i]f there is substantial similarity in ideas, then the trier of fact must decide whether there is substantial similarity in the expressions of the ideas so as to constitute infringement”).

<sup>58</sup> *See* Shaw v. Lindheim, 919 F.2d 1353, 1357 (9th Cir. 1990) (noting that “judicial determination under the intrinsic test is now virtually devoid of analysis, for the intrinsic test has become a mere subjective judgment as to whether two . . . works are or are not similar.”).

<sup>59</sup> Twentieth Century-Fox Film Corp. v. Stonesifer, 140 F.2d 579, 582 (9th Cir. 1944). Since the test is a subjective one, the intrinsic test is usually left in the hands of a jury to decide. *See* Shaw, 929 F.2d at 1360 (commenting on how the subjective assessment is better suited for the jury than for a judge because subjectivity is not a legal conclusion but one that depends on each individual person’s interaction with the two pieces of work in dispute); Matthew Joseph, *The Unsolicited Screenplay Cometh — Copyright infringement claims by unpublished authors*, LAW OFFICES OF MATTHEW A. JOSEPH, Vol. 2004, No. 4, <http://www.josephlaw.com/notes/archives/april04.html> (noting that the jury is a “proxy” audience).

the intrinsic test determines whether the expression of the idea has been pilfered.<sup>60</sup> Satisfying both the extrinsic test and the intrinsic test constitutes copyright infringement.<sup>61</sup>

The two-part substantial similarity test demonstrates that copyright protection does not extend to ideas alone; the idea must be accompanied with an expression of the idea to be eligible for copyright protection.<sup>62</sup> Idea purveyors,<sup>63</sup> such as Larry Montz, who have not yet embodied their ideas in an expression before the alleged infringement took place must therefore seek recourse through other legal causes of action.<sup>64</sup> Copyright preemption responds to these alternatives by moderating the relationship between federal and state law.<sup>65</sup> It ensures that protecting ideas through state law causes of action does not interfere with federal copyright law.<sup>66</sup> And where

<sup>60</sup> *Sid & Marty Krofft Television Prods., Inc.*, 562 F.2d at 1165. See *Williams v. Crichton*, 84 F.3d 581, 587 (2d Cir. 1996) (finding that if the similarity lays in noncopyrightable elements then there is no substantial similarity).

<sup>61</sup> See Nicholas R. Monlux, *An Invitation for Infringement: How the Ninth Circuit's Extrinsic and Intrinsic Similarity Tests Encourage Infringement: An Analysis Using* *Reece v. Island Treasures Art Gallery*, 56 J. COPYRIGHT SOC'Y U.S.A. 543, 544 (2008) (noting that the test used in analyzing copyright infringement claims is a two-part test).

<sup>62</sup> See 17 U.S.C. § 102 (1976) (clarifying that copyright does not cover "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"); *Blakeman v. The Walt Disney Co.*, 613 F. Supp. 2d 288, 305 (E.D.N.Y. 2009) (quoting *Kregos v. Assoc. Press*, 3 F.2d 656, 663 (2d Cir. 1993) (stating that "[t]he law is clear that 'a copyright does not protect an idea, but only the expression of an idea . . . .')"); *LITWAK*, *supra* note 10, at 17 (stating that "ideas are not copyrightable because they are not considered 'an expression of an author'").

As applied specifically to the *Montz* case, copyright law does not protect Larry's Montz's idea for a television show. *Muller v. Twentieth Century Fox Film Corp.*, 794 F. Supp. 2d 429, 440 (S.D.N.Y. 2011).

Even though the author is not afforded copyright protection for his idea, the producer and author can contract to supply such protection. See *Minnear v. Tors*, 266 Cal. App. 2d 495, 503 (Cal. Dist. Ct. App. 1968) (citing *Chandler v. Roach*, 319 P.2d 776, 781 (Cal. Ct. App. 1957)) (explaining that even though the material is unprotected, the producer and writer are free to make whatever contract they want to transact in the exchange of ideas regardless of whether the producer later finds that he could have contrived the exact ideas without paying money for them).

<sup>63</sup> "Idea men" try to market the products of their minds and have a difficult time doing so because of their poor bargaining position. Arthur R. Miller, *Common Law Protection for Products of the Mind: An "Idea" Whose Time Has Come*, 119 HARV. L. REV. 703, 708 (2006). The term "idea man" is used in scholarship concerning the protection of ideas. Samuel M. Bayard, Note, *Chihuahuas, Seventh Circuit Judges, and Movie Scripts, Oh My!: Copyright Preemption of Contracts to Protect Ideas*, 86 CORNELL L. REV. 603, 604 n.5 (2001).

<sup>64</sup> See *Selby v. New Line Cinema Corp.*, 96 F. Supp. 2d 1053, 1057 (C.D. Cal. 2000) (quoting *Stanley v. Columbia Broad. Sys.*, 221 P.2d 73, 85 (Cal. 1950)) (noting that "[t]he use of ideas unprotected by copyright may provide the basis for a breach of contract claim because 'the policy that precludes protection of an abstract idea by copyright does not prevent its protection by contract'").

<sup>65</sup> See JOHN E. NOWAK & RONALD D. ROTUNDA, *CONSTITUTIONAL LAW* 375 (7th ed. 2004) ("The Court must consider the federal law and its operation and compare the state statute and its operation."). Preemption is based on the Supremacy clause of the U.S. Constitution, requiring that federal law override state regulation where there is an actual conflict between the two sets of laws. *Id.* at 374.

<sup>66</sup> See MARSHALL LEAFFER, *UNDERSTANDING COPYRIGHT LAW* 523 (4th ed. 2005) (recognizing that the overlap and coexistence between common law copyright and federal copyright laws has created tension).

a conflict exists, federal law controls.<sup>67</sup> A state law claim is preempted if two requirements are met: (1) the “subject matter requirement”—the work to be protected falls within one of the categories protected by the Copyright Act,<sup>68</sup> and (2) the “general scope requirement”—the state law claim asserts rights (i.e., reproduction, distribution, display, etc.) that are equivalent to one of the exclusive rights granted protection under the Copyright Act.<sup>69</sup> This Comment will focus on the second prong of this test as it has been the central source of conflict for idea submission cases like that of Larry Montz.<sup>70</sup> Resolving these cases requires determining whether the asserted

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<sup>67</sup> See Christina Bohannon, *Copyright Preemption of Contracts*, 67 MD. L. REV. 616, 619 (2008) (describing how under preemption, courts consider whether a state law claim interferes with the purposes of federal law).

<sup>68</sup> *Nat'l Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841, 848 (2d Cir. 1997). Copyright protection is available to original works of authorship fixed in a tangible medium of expression. Works of authorship include: “(1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works; (5) pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; (7) sound recordings; and (8) architectural works.” 17 U.S.C. § 102 (1976). Ideas are not included in these categories but would still be able to meet the “subject matter” requirement for preemption because copyrightable material can contain uncopyrightable elements such as ideas, thereby applying preemption to uncopyrightable and copyrightable elements. See *Nat'l Basketball Ass'n*, 105 F.3d at 849; see also *Harper & Row Publishers, Inc. v. Nation Enters.*, 723 F.2d 195, 200 (2d Cir. 1983) (noting that even though an original work of authorship contains uncopyrightable elements, the work as a whole is not taken outside of preemption). A plaintiff will try to argue against preemption by claiming that ideas captured in a body of work do not fall under the Copyright Act because the Act specifically denies protection to ideas. See *U.S. Ex Rel. Berge v. Trs. of Univ. of Ala.*, 104 F.3d 1453, 1463 (4th Cir. 1997). The umbrella that encompasses what is included in preemption is wider than the umbrella encompassing what is protected by the Copyright Act. *Id.* (holding that “scope and protection are not synonyms” and that “the shadow actually cast by the Act’s preemption is notably broader than the wing of its protection”); *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 455 (6th Cir. 2001) (focusing on the Second, Fourth, and Seventh Circuits that have held subject matter to include not only tangible expressions but also elements of expression that are not protected under the Copyright Act). Even though ideas are not covered under federal copyright law, they do not automatically fail the subject matter requirement. See *Murray Hill Publ'ns v. ABC Commc'ns, Inc.*, 264 F.3d 622, 636 (6th Cir. 2001) (emphasizing that the expression of an idea is the “essence of the subject matter” of copyright); *Nat'l Basketball Ass'n*, 105 F.3d at 849 (noting that uncopyrightable and copyrightable elements of state law claims can be preempted); *Boyle v. Stephens Inc.*, No. 97 CIV 1351(SAS), 1998 WL 690816, at \*5 (S.D.N.Y. Sept. 29, 1998) (clarifying that preemption extends beyond copyrightable and protected works of authorship and encompasses uncopyrightable elements).

<sup>69</sup> *Nat'l Basketball Ass'n*, 105 F.3d at 848. See *Kabehie v. Zoland*, 125 Cal. Rptr. 2d 721, 727 (Cal.Ct.App. 2002) (stating that if the claim based on a state-protected right is infringed by “reproduction, performance, distribution or display,” then it is equivalent to a federal exclusive right) (citing 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT, §1.01 [B] [1], at 1-12 (Matthew Bender 2002)).

When violation of a state law is based on an act incorporating elements beyond those of the exclusive rights under copyright law, then the rights are not equivalent and the second prong fails. *Harper & Row Publishers, Inc.*, 723 F.2d at 200. See also *Wrench LLC*, 256 F.3d at 455 (“asking whether the state common law or statutory action at issue asserts rights that are the same as those protected under § 106 of the Copyright Act”); *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1454 (7th Cir. 1996) (noting that equivalent rights to the exclusive rights granted under the Copyright Act are established in the laws of each state).

<sup>70</sup> *Montz v. Pilgrim Films & Television, Inc.*, 649 F.3d 975, 980 (9th Cir. 2011); see also Nathan Smith, Comment, *The Shrinkwrap Snafu: Untangling the “Extra Element” in Breach of Contract Claims Based on Shrinkwrap Licenses*, 2003 BYU L. REV. 1373, 1393 (2003) (observing how courts do not “normally struggle” with the subject matter requirement but the equivalency prong is still debated); Peter K. Yu, Note, *Fictional Persona Test: Copyright Preemption in Human Audiovisual Characters*,

state claim masks what is truly a copyright claim.<sup>71</sup> The courts have predominantly utilized the “extra element” test to answer that question.<sup>72</sup> The “extra element” test measures the degree of equivalency between state law claims and copyright claims.<sup>73</sup> Furthermore, it determines whether there is some factor that changes the “nature of the action so that it is *qualitatively* different from a copyright infringement claim,” thereby taking the claim outside the bounds of copyright law and avoiding preemption.<sup>74</sup>

A copyright holder has the right to reproduce, perform, distribute, and display his work.<sup>75</sup> Federal copyright infringement occurs when the infringer obstructs those rights by reproducing, performing, distributing, or displaying the copyright holder’s work.<sup>76</sup> At the state level, if an act of reproduction, performance, distribution, or display will *by itself* infringe a state-created right on which the plaintiff brings a case, the state claim is preempted.<sup>77</sup> But if another element is required, instead of, *or* in addition to, reproduction, performance, distribution, or display, to prove the state claim, then there is an “extra element.”<sup>78</sup>

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20 CARDOZO L. REV. 355, 370 (1998) (“Although the subject matter prong does not pose much difficulty . . . the equivalent right prong is ambiguous.”).

<sup>71</sup> See *Kabehie v. Zoland*, 125 Cal. Rptr. 2d 721, 737 (Cal. Ct. App. 2002) (Mosk, J., concurring) (“[T]he ‘fact-specific analysis’ is not easily workable, for it entails an evaluation in each case of the nature of the claims”); Scott Faust, *NLRB Acting General Counsel Clarifies Duty to Provide Information in Bargaining*, PROSKAUER (May 18, 2011), <http://www.laborrelationsupdate.com/nlr/nlr-acting-general-counsel-clarifies-duty-to-provide-information-in-bargaining/> (“[C]ase-specific analysis has led to seemingly inconsistent results . . .”). But see *Groubert v. Spyglass Entm’t Group*, No. CV 02–01803–SVW, 2002 WL 2031271, at \*3 (C.D. Cal. 2002) (quoting *Fisher v. Viacom Int’l, Inc.*, 115 F. Supp. 2d 535, 542 (D. Md. 2000) (recognizing that a fact-specific approach was the sensible method to resolve the “general scope requirement” of preemption)).

<sup>72</sup> See *Sefton v. Jew*, 201 F. Supp. 2d 730, 745 (W.D. Tex. 2001) (citing *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 787 (5th Cir. 1999)); *Mayer v. Josiah Wedgwood & Sons, Ltd.* 601 F. Supp. 1523, 1535 (D.C.N.Y. 1985) (noting that the “extra element” test is the prevailing test).

<sup>73</sup> See Jay Rubin, Note, *Television Formats: Caught in the Abyss of the Idea/Expression Dichotomy*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 661, 671 (2006) (stating that when the court determines whether a state law claim asserts rights qualitatively different from the rights protected under the Copyright Act, it does so under the “extra element” or “equivalency” test).

<sup>74</sup> *Mayer v. Josiah Wedgwood & Sons, Ltd.*, 601 F. Supp. 1523, 1535 (S.D.N.Y. 1985) (emphasis added). See *Wrench LLC*, 256 F.3d 446, 455–456 (6th Cir. 2001) (explaining that the extra element operates as an addition or substitute to the acts as defined in the exclusive rights of the Copyright Act, which would satisfy the state-created cause of action); *Ritchie v. Williams*, 395 F.3d 283, 287 n.3 (6th Cir. 2005) (noting that most circuits referred to the determination of equivalency as the “extra element test”).

<sup>75</sup> See 17 U.S.C. § 106 (1976).

<sup>76</sup> See LEAFFER, *supra* note 66, at 407 (“Copyright infringement occurs when a third party violates one or more of the copyright owner’s exclusive rights as enumerated in § 106 of the 1976 Act.”).

<sup>77</sup> 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT, § 1.01[B][1], at 1-12 (Matthew Bender 2011) (emphasis added).

<sup>78</sup> *Id.* at 1-12 to 1-13 (emphasis added).

### III. THE PROBLEM WITH THE “EXTRA ELEMENT” TEST

The “extra element” test has invoked much criticism<sup>79</sup> and attention because of its uncertainty<sup>80</sup> and lack of guidance.<sup>81</sup> The test has been criticized for giving the courts too much discretion,<sup>82</sup> and inconsistent results justify the intense scrutiny.<sup>83</sup> This Comment focuses on the “extra element” test in breach of implied contract claims.<sup>84</sup> Three perspectives

<sup>79</sup> *Ritchie*, 395 F.3d at 288 n.3.

<sup>80</sup> See LEAFFER, *supra* note 66, at 540 (noting that the “extra element” test can’t be applied with certainty); see also David B. Sandelands, Advisory, *When Does Federal Copyright Law Preempt State Contract Law?*, ENTERPRISE COUNSEL GROUP (July 24, 2003), <http://www.enterprisecounsel.com/WhenDoesFederalCopyrightLaw2003.pdf> (noting that what exactly constitutes an “extra element” is unclear).

<sup>81</sup> See Joseph P. Bauer, *Addressing the Incoherency of the Preemption Provision of the Copyright Act of 1976*, 10 VAND. J. ENT. & TECH. L. 1, 37 (2007) (“[J]udicial application of the [“extra element”] test to the large number and variety of claims has given rise to a host of interesting, controversial, oftentimes troubling, and, not surprisingly, inconsistent decisions.”).

<sup>82</sup> See Schulyer M. Moore, *Straightening Out Copyright Preemption*, 9 UCLA ENT. L. REV. 201, 204 (2002) (stating that a court that wants to find preemption can do so because there is always a difference, no matter how small, between state law and copyright law). See also Robert W. Clarida & Robert J. Bernstein, *New York and California Courts Split on Preemption of Idea Claims*, N.Y. L.J. (July 15, 2011), available at [http://www.newyorklawjournal.com/PubArticleNY.jsp?id=1202501070033&New\\_York\\_and\\_California\\_Courts\\_Split\\_on\\_Preemption\\_of\\_Idea\\_Claims](http://www.newyorklawjournal.com/PubArticleNY.jsp?id=1202501070033&New_York_and_California_Courts_Split_on_Preemption_of_Idea_Claims) (“Unless and until [this] Court provides a uniform interpretation for federal courts to follow, the outcome of preemption challenges to idea-submission claims may be determined less by the intent of Congress than by the iron law of real estate: location, location, location.”); Bayard, *supra* note 63, at 628 (proposing that Congress might have intended to give discretion to courts in determining what state claims should survive preemption); Patrick McNamara, Note, *Copyright Preemption: Effecting the Analysis Prescribed by Section 301*, 24 B.C. L. REV. 963, 972 (1983) (stating that judicial interpretation dominated the realm of copyright and copyright preemption).

<sup>83</sup> If a plaintiff brought a breach of implied contract claim based on idea submissions in the Second or Fourth Circuit state courts, the court generally found the claim to be preempted. For Second Circuit cases, see, e.g., *Harper & Row Publishers, Inc. v. Nation Enters.*, 723 F.2d 195, 201 (2d Cir. 1983) (preempted), *rev’d on other grounds*, 471 U.S. 539 (1985); *Forest Park Pictures v. Universal Television Network*, 10 Civ. 5168, 2011 WL 1792587, at \*3 (S.D.N.Y. May 10, 2011) (preempted), *vacated*, 683 F.3d 424 (2d Cir. 2012); *Muller v. Twentieth Century Fox Film Corp.*, 794 F. Supp. 2d 429, 448 (S.D.N.Y. 2011) (preempted); *Smith v. New Line Cinema*, 03 Civ. 5274, 2004 WL 2049232, at \*5 (S.D.N.Y. 2004) (preempted). For Fourth Circuit cases, see, e.g., *Nichols Agency, Inc. v. Enchanted Child Care, Inc.*, 537 F. Supp. 2d 774, 783 (D. Md. 2008) (preempted); *Madison River Mgmt. Co. v. Bus. Mgmt. Software Corp.*, 351 F. Supp. 2d 436, 445 (M.D. N.C. 2005) (preempted); *U.S. ex. rel. Berge v. Board of Trs. of the Univ. of Ala.*, 104 F.3d 1453, 1465 (4th Cir. 1997) (preempted); *Fischer v. Viacom Int’l, Inc.*, 115 F. Supp. 2d 535, 542 (D. Md. 2000) (preempted). In the Ninth Circuit, courts found that breach of implied contract claims were not preempted. See, e.g., *Grosso v. Miramax Film Corp.*, 383 F.3d 965, 968 (9th Cir. 2004) (not preempted); *Benay v. Warner Bros. Entm’t, Inc.*, 607 F.3d 620 (9th Cir. 2010) (not preempted); *Minnear v. Tors*, 72 Cal. Rptr. 287 (Cal. Ct. App. 1968) (not preempted); *Firoozye v. Earthlink Network*, 153 F. Supp. 2d 1115, 1128 (N.D. Cal. 2001) (not preempted).

The Sixth Circuit has taken both sides and found some breach of implied contract claims preempted while finding others are not preempted. See, e.g., *Murray Hill Publ’ns, Inc. v. ABC Commc’ns, Inc.*, 264 F.3d 622, 638 (6th Cir. 2001) (preempted), *abrogated by Reed Elsevier, Inc. v. Muchnick*, 130 S.Ct. 1237 (2010); *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 459 (6th Cir. 2001) (not preempted).

<sup>84</sup> The analysis will focus on breach of implied-in-fact contracts as opposed to breach of implied-in-law contracts since implied-in-law contracts are not promises manifested by the intentions of two parties. See 4 NIMMER, *supra* note 51, at 19D-14. Implied-in-law contracts are imposed for reasons of justice based on a derived benefit. *Id.* The implied-in-law contract merely depends on unauthorized use, requiring no “extra element” of a promise to pay that would take such a claim outside of preemption.

characterize the application of the “extra element” test to breach of contract claims: (1) the minority view where breach of contract claims concerning reproduction, performance, distribution, or display of a copyrighted work are never preempted;<sup>85</sup> (2) an alternative view that finds state breach of contract actions are always preempted;<sup>86</sup> and (3) the majority view where breach of contract causes of action are not preempted when they enforce rights *qualitatively* different from those exclusively protected by copyright law.<sup>87</sup>

#### A. Breach of Contract Claims Are Never Preempted

A few courts have held that a breach of contract case based on reproduction, performance, distribution, or display of copyrighted material is never preempted. The inherent promise in a contract is the “extra element” that sets a contract claim apart from a copyright case.<sup>88</sup>

In *ProCD, Inc. v. Zeidenberg*,<sup>89</sup> the court emphasized that “[a] copyright is a right against the world,” restricting strangers in what they can do.<sup>90</sup> An equivalent state right would have the power to restrict strangers from acting.<sup>91</sup> But state rights created by a contract affect only their parties, not strangers outside the contract.<sup>92</sup> A right enforceable against a particular party is not equivalent to a right enforceable against the world.<sup>93</sup> A contract therefore does not create rights equivalent to the exclusive rights granted in federal copyright law because a contract right cannot be enforced against strangers to the contract.<sup>94</sup> Even though the court intends to avoid adopting a blanket statement that every contract claim escapes preemption,<sup>95</sup> the court’s holding does exactly the opposite. It establishes that contract rights are different from rights under copyright law in *all* cases.<sup>96</sup> The court’s opinion asks, “[a]re rights created by contract

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*Wrench LLC*, 256 F.3d at 459.

<sup>85</sup> See *infra* Part III(A) (discussing the reasoning of a number of courts for finding an extra element in every breach of contract cause of action).

<sup>86</sup> See *infra* Part III(B) (discussing how a court can presumptively find preemption in all breach of contract cases).

<sup>87</sup> See *infra* Part III(C) (discussing how a majority of courts are not quick to conclude that every breach of contract cause of action is preempted).

<sup>88</sup> See Sandelands, *supra* note 80; Aileen Brophy, *Whose Idea Is It Anyway? Protecting Idea Purveyors and Media Producers After Grosso v. Miramax*, 23 CARDOZO ARTS & ENT. L.J. 507, 522 (2005) (“[C]ontract rights are inherently different from the rights granted by copyright.”).

<sup>89</sup> 86 F.3d 1447 (7th Cir. 1996).

<sup>90</sup> *Id.* at 1454.

<sup>91</sup> *Id.*

<sup>92</sup> *Id.* See also CALAMARI & PERILLO, *supra* note 11, at 170 (explaining that a contract requires the offeree to exchange a requested performance or promise for the offeror’s promise); JEFFREY FERRIELL & MICHAEL NAVIN, UNDERSTANDING CONTRACTS 7 (LexisNexis 2004) (observing how the freedom of contract is based on the principle that every individual “is in the best position to know what is in his or her own best interest, and should be free to pursue that interest”).

<sup>93</sup> Brophy, *supra* note 88, at 522.

<sup>94</sup> *Id.*

<sup>95</sup> See *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1455 (7th Cir. 1996).

<sup>96</sup> See Bayard, *supra* note 82, at 617 (“[T]he opinion’s [(*ProCD*)] language and logic tell a

‘equivalent to any of the exclusive rights within the general scope of copyright?’ The court answers “no.”<sup>97</sup> The court’s answer is absolute and without qualification, leaving little possibility for overlap between copyright and contract rights.<sup>98</sup> The court thus renders the preemption mechanism inoperative.

Academics in the copyright field, such as Professor Paul Goldstein,<sup>99</sup> also support the reasoning portrayed in *ProCD*. Professor Goldstein takes *ProCD* a step further,<sup>100</sup> saying, “contract law is a good example of a state law that will be *immune* from preemption under the extra element test. . . . [C]ontract law requires the plaintiff to prove the existence of a bargained-for exchange—something it need not prove in a cause of action for copyright infringement.”<sup>101</sup> Just like the court in *ProCD*, Professor Goldstein does not otherwise qualify his statement with exceptions to immunity, appearing to infer that contract claims will always be immune.<sup>102</sup> Under this line of reasoning, the “bargained-for exchange” part of every contract<sup>103</sup> is the “extra element” that allows a breach of contract claim to avoid preemption in every case.<sup>104</sup>

The danger in following this rationale is that anything labeled “contract” will escape preemption.<sup>105</sup> This includes contracts, which promise to refrain from doing what copyright law already prohibits: contracts promising not to reproduce, distribute, perform, or display a work.<sup>106</sup> Plaintiffs are therefore given a free pass to circumvent federal copyright law, pursue a state claim, obtain a remedy under state law, and virtually nullify the preemption mechanism.<sup>107</sup> It is the court’s duty to

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different story, in which it is indeed hard to imagine a contract claim not considered qualitatively different.”).

<sup>97</sup> *ProCD, Inc.*, 86 F.3d at 1454.

<sup>98</sup> Bayard, *supra* note 82, at 617.

<sup>99</sup> Professor Paul Goldstein is a recognized scholar in the field of intellectual property law and has authored a volume of books about the field including a treatise on copyright law, a casebook, and a number of other books. *Paul Goldstein, Stella W. and Ira S. Lillick Professor of Law*, STANFORD LAW SCHOOL DIRECTORY, <http://www.law.stanford.edu/node/166390> (last visited Jan. 6, 2012).

<sup>100</sup> See *Kabehie v. Zoland*, 125 Cal. Rptr. 2d 721, 737 (Cal. Ct. App. 2002) (Mosk, J., concurring) (“Professor Paul Goldstein, in his highly-regarded work on copyright, presents an even broader concept of the contract exemption from federal copyright preemption.”).

<sup>101</sup> *Id.* (quoting 3 PAUL GOLDSTEIN, COPYRIGHT §15.2.1, at 15:12 (2d ed. 2002 supp.)).

<sup>102</sup> See *id.*

<sup>103</sup> See CALAMARI & PERILLO, *supra* note 11, at 170 (explaining that consideration is generally required in agreements and then describing that consideration is “bargained for by the promisor, and exchanged by the promisee in return for the promisor’s promise”).

<sup>104</sup> See *Kabehie*, 125 Cal. Rptr. 2d at 737 (Mosk, J., concurring).

<sup>105</sup> See I NIMMER, *supra* note 77, at 1–23 (footnotes omitted) (“[P]re-emption should continue to strike down claims that, though denominated ‘contract,’ nonetheless complain directly about the reproduction of expressive materials.”); LEAFFER, *supra* note 66, at 539 (stating that *ProCD* takes an extreme view of “freedom of contract,” allowing no contract to be preempted).

<sup>106</sup> See *Kabehie v. Zoland*, 125 Cal. Rptr. 2d 721, 732 (Cal. Ct. App. 2002); see also *Wrench LLC v. Taco Bell Corp.* 256 F.3d 446, 457 (6th Cir. 2001) (“Under [the] rationale, a contract which consisted only of a promise not to reproduce the copyrighted work would survive preemption even though it was limited to one of the exclusive rights enumerated in 17 U.S.C. § 106.”).

<sup>107</sup> See *Kabehie*, 125 Cal. Rptr. 2d at 732; see also *Bateman v. Mnemonics, Inc.*, 79 F.3d 1532,

avoid drawing a quick conclusion from the pleaded “laundry list” of elements in state law claims and to analyze whether an “extra element” truly exists.<sup>108</sup>

#### B. Breach of Contract Claims Are Always Preempted

At least one court has found that breach of contract claims are always preempted by federal copyright law, and another court came very close to reaching that conclusion.<sup>109</sup>

In *Wolff v. Institute of Electrical and Electronics Engineers, Inc.*,<sup>110</sup> a photographer sued an engineering society for exceeding the rights that the photographer originally granted to the society for use of a photograph.<sup>111</sup> The court held that copyright law preempted the plaintiff’s state law claim for breach of contract,<sup>112</sup> relying heavily on congressional intent and Congress’s actions when enacting the preemption provision of the Copyright Act.<sup>113</sup>

The current preemption section of the Copyright Act describes preempted claims in a generalized way.<sup>114</sup> However, the House of Representatives Committee Report to the Copyright Act illustrates that an earlier draft of the preemption provision explicitly listed specific causes of actions that would *not* be preempted, including breach of contract.<sup>115</sup> That portion of the Act was eliminated on the floor of the House and does not

1550 (11th Cir. 1996) (observing how a plaintiff can dress up a copyright infringement claim with a state law claim by “artful pleading and presentation of evidence”); LEAFFER, *supra* note 66, at 539 (observing that the balance copyright law strikes is at risk).

<sup>108</sup> *Idema v. Dreamworks, Inc.*, 162 F. Supp. 2d 1129, 1190 (C.D. Cal. 2001); *see ProCD v. Zeidenberg*, 86 F.3d 1447, 1455 (7th Cir. 1996) (holding courts should not presumptively conclude that anything labeled as “contract” avoids preemption); *Wrench LLC*, 256 F.3d at 457 (distinguishing that even though some state contract claims avoid preemption does not mean that all state contract actions do the same simply because they have the additional element of a promise); *Endemol Entm’t B.V. v. Twentieth Television, Inc.*, 48 U.S.P.Q.2d 1524, 1528 (C.D. Cal. 1998) (stating that the promise not to benefit from a copyrighted work, without more, is an insufficient “extra element”); *Petition for Writ of Certiorari at \*14, Miramax Film Corp. v. Grosso*, 383 F.3d 965 (2004) (No. 04–1682), 2005 WL 1403156 at 3 (observing the necessity of courts to look beyond the label and the conclusory allegations of a state law cause of action).

<sup>109</sup> *See Kabehie*, 125 Cal. Rptr. 2d at 731 n.6 (stating that several authorities have ascribed this classification to a case).

<sup>110</sup> 768 F. Supp. 66 (S.D.N.Y. 1991).

<sup>111</sup> *See id.* at 67 (showing that the invoice containing the conditions of use had a “time limit on use,” but the defendant went on to use the photograph beyond the time limit without the plaintiff’s consent).

<sup>112</sup> *Id.* at 69.

<sup>113</sup> *Id.*; *see also Architechnics, Inc. v. Control Sys.*, 935 F. Supp. 425, 440 (S.D.N.Y. 1996) (explaining that *Wolff* rests almost entirely on legislative history).

<sup>114</sup> *Mayer v. Josiah Wedgwood & Sons, Ltd.* 601 F. Supp. 1533, 1535 (D.C.N.Y. 1985).

<sup>115</sup> *See H.R. Rep. No. 94–1476*, at 132 (1976) (“Nothing in the bill derogates from the rights of parties to contract with each other and to sue for breaches of contract . . .”). The preemption statute allows the pursuit of claims under state law including: “misappropriation . . . breaches of contract, breaches of trust, trespass, conversion, invasion of privacy, defamation, and deceptive trade practices.” *Id.* at 24.



appear in the final version of the Copyright Act.<sup>116</sup> The removal arguably illustrates that Congress intended those causes of action to be preempted.<sup>117</sup>

The *Wolff* court, in fact, inferred “[w]here Congress includes limiting language in an earlier version of a bill, but deletes it prior to enactment, it may be presumed that the limitation was not intended.”<sup>118</sup> The court interpreted Congress’ deletion of the provision protecting breach of contract claims from preemption to mean that such claims should always be preempted.<sup>119</sup>

But subsequent courts have indicated that *Wolff* goes too far in interpreting congressional intent.<sup>120</sup> One possible explanation that has been offered for Congress’ action is that House members were concerned that an explicit list would cause confusion about the scope of preemption, especially since the list was non-exhaustive.<sup>121</sup> The purported danger was that clearly identifying non-preempted rights would give states a green light to pass laws concerning those rights, thereby rendering preemption useless.<sup>122</sup> The bill was therefore revised to account for the possibility of ambiguity and to maintain the power of preemption.<sup>123</sup>

The courts have been reluctant to follow *Wolff*’s dispositive determination of congressional intent derived from the omission of examples of non-preempted rights from the final version of the Copyright Act.<sup>124</sup> Rather, courts have regarded *Wolff* as standing for the proposition

<sup>116</sup> 17 U.S.C. § 301.

<sup>117</sup> *Russello v. U.S.*, 464 U.S. 16, 21 (1983).

<sup>118</sup> *Wolff*, 768 F. Supp. at 69 (citing *Russello v. U.S.*, 464 U.S. 16, 21 (1983)).

<sup>119</sup> *See id.* at 69; *see also* *Architectronics, Inc.*, 935 F. Supp. at 440 (noting that the *Wolff* court held *all* contract claims preempted without considering whether a promise could ever be the “extra element” to take a state claim outside of preemption).

<sup>120</sup> *See Architectronics, Inc.*, 935 F. Supp. at 441 (“However, there is nothing in the legislative history or elsewhere to suggest that this was the motive behind the deletion.”); LEAFFER, *supra* note 66, at 535 (noting that the legislative history in this particular situation is too ambiguous to provide any insight to determine whether a right is equivalent); 1 NIMMER, *supra* note 77, at 1–16 (indicating that the *Wolff* court’s logic was faulty because under that logic, it could be argued that the originally enumerated claims would be deemed non-preempted but then the non-enumerated causes of action could be held to be preempted).

<sup>121</sup> *See Nat’l Car Rental Sys., Inc. v. Computer Assocs. Int’l, Inc.*, 991 F.2d 426, 433 (8th Cir. 1993) (explaining how congressional members were concerned about the tort of misappropriation that was added to the list of the examples and thus decided to do away with the list altogether to avoid confusion).

<sup>122</sup> *Id.* at 434 n.5 (stating that the inclusion of a specific example of a non-preempted cause of action like misappropriation could be interpreted by the courts as authorizing states to pass misappropriation laws).

<sup>123</sup> *Id.* (noting a concern presented by a representative that the inclusion of “misappropriation” would inadvertently nullify the preemption section of the Copyright Act because its inclusion would indicate to courts that the states are authorized to pass misappropriation laws and such laws would render preemption meaningless). The main concern with “misappropriation” sounded a death knell for the entire list altogether. *Id.* (stating that the amendment to strike the examples list was “merely to remove the specific reference to misappropriation”).

<sup>124</sup> *See Mayer v. Josiah Wedgwood & Sons, Ltd.*, 601 F. Supp. 1523, 1533 (S.D.N.Y. 1985) (“[I]t seems that no inference as to Congress’s intent may be drawn from the fact that the illustrative list was dropped from the statute as it was finally enacted.”).

that a breach of contract claim is preempted when a plaintiff alleges that copyright infringement caused the breach of contract.<sup>125</sup>

The case of *Endemol Entertainment B.V. v. Twentieth Television, Inc.*,<sup>126</sup> came dangerously close to articulating a categorical rule similar to *Wolff*: a breach of an implied contract, in particular, is always preempted.<sup>127</sup> The plaintiff in this case hoped to license his television program concept and format.<sup>128</sup> The defendant expressed an interest in the concept and format.<sup>129</sup> During negotiations, both parties understood that the plaintiff would be paid for any use of his ideas.<sup>130</sup> The defendant started to market the television series without the plaintiff's permission.<sup>131</sup> The plaintiff and defendant later broke off negotiations when no agreement could be reached.<sup>132</sup> The defendant then produced a pilot based on the format and concept of the plaintiff's program.<sup>133</sup> The court found that the plaintiff's claim alleged no rights beyond the defendant's promise not to benefit from the plaintiff's copyrighted work, which did not rise to the level of an "extra element."<sup>134</sup> The promise not to benefit was not an "extra element" because copyright law already protects a copyright holder from an infringer who benefits from the work.<sup>135</sup> The defendant in this case received the benefit of the plaintiff's work.<sup>136</sup> Copyright law alone could effectively protect the plaintiff's rights and therefore preempted the breach of contract claim.<sup>137</sup>

Citing Professor Nimmer for the proposition that "quasi-contracts" are preempted, the *Endemol* court concluded that implied contracts are a species of quasi-contracts and should therefore be preempted in all cases.<sup>138</sup> A number of courts have followed the same line of thought.<sup>139</sup> However,

<sup>125</sup> *Nat'l Car Rental Sys., Inc.*, 991 F.2d at 431.

<sup>126</sup> 48 U.S.P.Q.2d 1524 (C.D. Cal. 1998).

<sup>127</sup> *See id.* at 1528 (stating that an implied contract is an exception to the assertion that contract claims are not preempted). One of the concerns expressed by those who support preemption of implied-in-fact contract claims is that the Copyright Act will become obsolete as the states' power grows. *See Daboub v. Gibbons*, 42 F.3d 285, 290 (5th Cir. 1995) (stating that "if the language of the act could be so easily circumvented, the preemption provision [of the Copyright Act] would be useless, and the policies behind a uniform Copyright statute would be silenced."); *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1455 (7th Cir. 1996) (noting how states will interfere with the national objectives and regulatory systems of the national government).

<sup>128</sup> *Endemol Entertainment B.V.*, 48 U.S.P.Q.2d, at 1525.

<sup>129</sup> *Id.*

<sup>130</sup> *Id.*

<sup>131</sup> *Id.*

<sup>132</sup> *Id.*

<sup>133</sup> *Id.*

<sup>134</sup> *Id.* at 1528.

<sup>135</sup> *Id.*

<sup>136</sup> *Id.*

<sup>137</sup> *See id.* ("Plaintiff's claim asserts no violation of rights separate from those copyright law was designed to protect and, consequently, is preempted by federal law.").

<sup>138</sup> *See id.* at 1528 (quoting 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 1.01[B][1][a], [g] at 1-19, 1-34 (Matthew Bender 1997) ("[C]ontract causes of action themselves are not typically pre-empted," but . . . implied contracts as a species of quasi contract 'should be regarded as an equivalent right and pre-empted insofar as it applies to copyright subject matter.'").

<sup>139</sup> *See, e.g., Chesler/Perlmutter Prods., Inc. v. Fireworks Entm't*, 177 F. Supp. 2d 1050, 1059

courts have mistakenly interpreted Professor Nimmer's work because a "quasi-contract" is merely a *type* of implied contract rather than a term incorporating all implied contracts. A "quasi-contract" is an implied-in-law contract, as opposed to an implied-in-fact contract.<sup>140</sup> The focus of cases like *Endemol* has been the implied-in-fact contract where the parties' actions reflect a mutual understanding of a promise to pay for the use of ideas.<sup>141</sup> The "quasi-contract" has little value in analyzing situations where implied-in-fact contracts are in dispute. Professor Nimmer addresses the distinction: "[Q]uasi-contract refers to an obligation imposed by law to avoid unjust enrichment. It is therefore . . . pre-empted . . . . Unfortunately, courts often refer to 'implied-in-fact' contracts as pre-empted, when they mean to declare *implied-in-law* (*i.e.*, quasi-) contract[s]" as preempted.<sup>142</sup> Professor Nimmer further clarifies that "implied-in-fact" contracts survive preemption.<sup>143</sup> As a result, the *Endemol* court's analysis became misguided when it introduced quasi-contract theories to its preemption analysis of an implied-in-fact contract.

The critical difference between an implied-in-fact contract and an implied-in-law contract is the existence of an "extra element."<sup>144</sup> The "extra element" in an implied-in-fact contract claim is the promise to pay, while an implied-in-law contract does not require an "extra element" beyond reproduction, performance, distribution or display.<sup>145</sup> The former typically avoids preemption and the latter results in preemption of state claims. Therefore, the interchangeable use of the term "implied contract" in reference to both an "implied-in-fact" contract and an "implied-in-law"

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(C.D. Cal. 2001) ("Implied contracts are more often found to be preempted."); *Fischer v. Viacom Int'l Inc.*, 115 F. Supp. 2d 535, 541 (D. Md. 2000) (noting that a majority of courts have found implied contracts preempted by the Copyright Act); *Worth v. Universal Pictures, Inc.*, 5 F. Supp. 2d 816, 822 (C.D. Cal. 1997) (holding that the plaintiff's breach of implied contract based on meetings and discussions to market a film screenplay was preempted because the implied contract was a species of quasi contract).

<sup>140</sup> See Ferriell & Navin, *supra* note 92, at 9–10 (stating that a contract implied in law is sometimes called a "quasi-contract").

<sup>141</sup> See *Balt. & Ohio R.R. Co. v. United States*, 261 U.S. 592, 597 (1923) (describing an "implied in fact" agreement as inferred from the conduct of the parties showing their mutual understanding and meeting of the minds and an "implied in law" agreement as imposed by the fiction of law to perform a legal duty).

<sup>142</sup> 4 MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 19D.03[C][2], at 19D-33 (Matthew Bender, rev. ed. 2011) (footnotes omitted).

<sup>143</sup> See *id.* at 19D-33 n.71.

<sup>144</sup> *Celestial Mechanics, Inc. v. Susquehanna Radio Corp.*, No. CV 03-5834-GHK, 2005 WL 4715213, at \*7 (C.D. Cal. 2005).

<sup>145</sup> *Id.*, see also *Firoozye v. Earthlink Network*, 153 F. Supp. 2d 1115, 1127 (N.D. Cal. 2001) ("[A] plaintiff seeking to establish that a defendant breached an implied-in-fact contract would also have to prove elements beyond unauthorized use, including that the defendant made an enforceable promise to pay and breached that promise."); LORD, *supra* note 17, at 41 (commenting on how language is susceptible to vagueness so that the same words could be used to convey different meanings).

contract can distort the preemption analysis.<sup>146</sup> Courts and commentators must be careful to keep the two distinctly separate.<sup>147</sup>

Rather than conducting an intensive analysis of the facts, the *Wolff* and *Endemol* courts adhered to the view that breach of contract claims are always preempted by federal copyright law. A fact-heavy analysis of the rights that each plaintiff claimed may have yielded different results and offered guidance to courts navigating similar claims.

### C. Breach of Contract Claims Are Not Preempted When They Enforce Rights Qualitatively Different From the Exclusive Rights of Copyright Law

Many courts have gravitated away from adopting a bright-line rule and towards a fact-specific analysis to determine whether a breach of contract claim protects rights that are qualitatively different from rights under copyright law.<sup>148</sup> Courts are valuing substance over form so that plaintiffs can no longer disguise a federal copyright claim as a state law claim.<sup>149</sup>

In *Wrench LLC v. Taco Bell Corp.*,<sup>150</sup> Taco Bell expressed an interest in using a “Psycho Chihuahua” cartoon from a licensing trade show.<sup>151</sup> In later discussions with Taco Bell, one of the cartoon creators suggested using a live dog that would be given personality through computer imaging.<sup>152</sup> The two parties discussed how much it would cost to use the “Psycho Chihuahua” character and Taco Bell understood that if it chose to use the Psycho Chihuahua concept, it would have to pay the cartoonists.<sup>153</sup> The creators’ licensing agency sent a proposal to Taco Bell, laying out the fees.<sup>154</sup> Taco Bell did not accept the proposal nor did Taco Bell explicitly reject it or indicate that it would stop any further discussions.<sup>155</sup> The cartoonists then gave a formal presentation to Taco Bell’s marketing department where they submitted prospective promotional materials focused on the “Psycho Chihuahua” and orally conveyed specific ideas for

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<sup>146</sup> See *Maglica v. Maglica*, 78 Cal. Rptr. 2d 101, 109 n.14 (Cal. Ct. App. 1998) (noting that the difference between an implied-in-fact contract and an implied-in-law contract is “fuzzy”).

<sup>147</sup> See *LORD*, *supra* note 17, at 41 (noting how the use of “implied contract” causes great confusion in cases and among lawyers).

<sup>148</sup> See *Anschell et al.*, *supra* note 14, at 24; see also *Murray Hill Publ’ns, Inc. v. ABC Comm’ns, Inc.*, 264 F.3d 622, 636 (6th Cir. 2001) (emphasizing that a preemption analysis is dependent largely on the facts and the claims presented by each of the parties); *Chesler/Perlmutter Prods., Inc. v. Fireworks Ent’mt, Inc.*, 177 F. Supp. 2d 1050, 1057 (C.D. Cal. 2001) (noting that a copyright preemption analysis is a “claim-by-claim inquiry”); *Fischer v. Viacom Int’l, Inc.*, 115 F. Supp. 2d 535, 542 (D. Md. 2000) (finding that a “categorical rule for preemption of implied-in-fact contracts would be inappropriate”).

<sup>149</sup> *Anschell*, *supra* note 14, at 24.

<sup>150</sup> 256 F.3d 446 (6th Cir. 2001).

<sup>151</sup> *Id.* at 449.

<sup>152</sup> *Id.* at 450.

<sup>153</sup> *Id.*

<sup>154</sup> *Id.*

<sup>155</sup> *Id.*

television commercials.<sup>156</sup> Taco Bell later hired a different advertising agency and sent the hired agency all of the “Psycho Chihuahua” materials from Taco Bell’s advertising department.<sup>157</sup> Taco Bell later aired a Chihuahua commercial and based its marketing efforts around a Chihuahua without compensating the designers of “Psycho Chihuahua.”<sup>158</sup>

The *Wrench* court found that the “extra element” in the state law breach of implied contract claim was the promise to pay.<sup>159</sup> The court examined the action that violated the implied contract and concluded that the violating act was not one of reproduction, performance, distribution or display *by itself*, but of the failure to pay.<sup>160</sup> A copyright holder retains rights of reproduction, performance, distribution, or display,<sup>161</sup> but noticeably absent from this list is the right to payment.<sup>162</sup> Failing to pay does not violate federal copyright law.<sup>163</sup> Therefore, the court held that together, the use of the work (which could infringe on copyright) *and* the failure to pay violated the contract.<sup>164</sup> However, the use of the work alone could not violate the contract.<sup>165</sup>

The court emphasized that the qualitative difference from a copyright infringement claim arose from the required elements to prove the state breach of contract claim: an enforceable promise, a breach, proof of mutual assent, consideration, the value of the work, and the defendant’s use of the work.<sup>166</sup> It was significant, therefore, that the elements necessary to prove

<sup>156</sup> *Id.*

<sup>157</sup> *Id.* at 451. The materials most likely consisted of art boards the creators put together; Psycho Chihuahua shirts, hats, and stickers for promotional purposes; materials the designers’ newly-hired licensing agent sent to the employee for presentation to Taco Bell’s outside advertising agency, which described the Chihuahua as “irreverent,” edgy,” and “spicy,” with a craving for Taco Bell food; the ideas and examples from a Taco Bell marketing department meeting; and samples of uniform designs, shirts, food wrappers, posters, and cup designs based on the proposed ideas at the marketing meeting. *Id.* at 450–51.

<sup>158</sup> *Id.* at 451. During the Taco Bell marketing meeting, the creators came up with the idea for a television commercial where a male dog would pass up a female dog to get to Taco Bell food. *Id.* at 450. The new advertising agency claimed that it came up with the idea for the broadcasted Taco Bell commercial, where a male Chihuahua passes a female Chihuahua to get to a person eating Taco Bell food, while two of the creative directors were eating Mexican food at a café and saw a Chihuahua walking down the street “on a mission.” *Id.* at 451. Thus, Taco Bell used the independent creation defense to show that it came up with the commercial independently from the creators of the “Psycho Chihuahua.” *Id.* at 459.

<sup>159</sup> *Id.* at 456.

<sup>160</sup> *Id.*

<sup>161</sup> See 17 U.S.C. § 106.

<sup>162</sup> *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 456 (6th Cir. 2001).

<sup>163</sup> See *id.* (“[T]he state law right is not abridged by an act which in and of itself would infringe one of the exclusive rights granted by § 106, since the right to be paid for the use of the work is not one of those rights.”).

<sup>164</sup> *Id.*

<sup>165</sup> *Id.* (“It is not the use of the work alone but the failure to pay for it that violates the contract and gives rise to the right to recover damages.”).

<sup>166</sup> *Id.*

the state breach of implied contract were distinct from the elements of a copyright infringement claim.<sup>167</sup>

The court also looked at the different remedies available through the state law claim versus a copyright claim to find a qualitative difference.<sup>168</sup> The court took note of the fact that breach of implied contract actions in the state allowed for recovery of the reasonable value of services rendered.<sup>169</sup> The remedies for a copyright infringement action, on the other hand, include injunctions,<sup>170</sup> impounding and destruction of infringing articles,<sup>171</sup> damages and profits,<sup>172</sup> and costs and attorney's fees.<sup>173</sup> For the plaintiffs to receive the remedy of reasonable value of services rendered, they had to sue under a breach of contract claim.<sup>174</sup> In *Wrench*, the reasonable value of services rendered would most likely consist of the time spent to develop, (1) the promotional materials submitted to Taco Bell's advertising department, and (2) the ideas that were designed to appeal to the Taco Bell marketing team.<sup>175</sup> The creators undertook their work with the expectation that they would be paid.<sup>176</sup> Therefore, the remedies under the state law

<sup>167</sup> See Bohannon, *supra* note 67, at 625 (explaining how the elements in state law claims are not ostensibly identical to the elements of a copyright infringement claim); see also *Chandler v. Roach*, 319 P.2d 776, 780 (Cal. Ct. App. 1957) (stating that the elements of an implied-in-fact contract are mutual assent and consideration); *Architectronics, Inc. v. Control Sys., Inc.*, 935 F. Supp. 425, 438 (S.D.N.Y. 1996) (stating that protection for a breach of contract is not the same as copyright protection).

<sup>168</sup> See *Wrench LLC*, 256 F.3d 446, 456 (6th Cir. 2001). But see 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 1.01[B][1], at 1-12 (Matthew Bender, rev. ed. 2011) (footnote omitted) ("Even if additional remedies might exist under state law, the claim is pre-empted absent a showing of different rights."); *Nat'l Car Rental Sys., Inc. v. Computer Assocs. Int'l, Inc.*, 991 F.2d 426, 435 (8th Cir. 1993) (holding that the state law cause of action cannot be preempted merely because the remedy for the breach of contract is identical to a remedy in copyright).

<sup>169</sup> *Wrench LLC*, 256 F.3d at 456.

<sup>170</sup> See 17 U.S.C. § 502 (2006) (stating that a court can grant a temporary or final injunction to prevent or restrain copyright infringement).

<sup>171</sup> See 17 U.S.C. § 503 (2006) (stating that a court can impound the copies made or used as part of the copyright infringement as well as the means used to produce the copies, and a court can order the destruction of the copies and means used in copyright infringement); see also 17 U.S.C. § 503 (2006), House Report no. 94-1476, Historical and Revision Notes ("[T]he court could order the infringing articles sold, delivered to the plaintiff, or disposed of in some other way that would avoid needless waste and best serve the ends of justice.").

<sup>172</sup> See 17 U.S.C. § 504 (2006) (stating that a copyright infringer is liable for (1) actual damages and any additional profits, or (2) statutory damages).

In the case of actual damages, the copyright owner just has to prove the infringer's gross revenue. See 17 U.S.C. § 504(b) (2006). The copyright owner can elect to take actual damages or statutory damages. *Id.* The damages are granted to make the copyright owner whole from the losses suffered by infringement, and profits are given to prevent the infringer from wrongfully benefitting from his actions. 17 U.S.C. § 504 (2006), House Report no. 94-1476, Historical and Revision Notes.

<sup>173</sup> See 17 U.S.C. § 505 (2006).

<sup>174</sup> The payment of reasonable value of services rendered is a remedy available for breach of implied contracts. *Young v. Young*, 191 P.3d 1258, 1268 (Wash. 2008).

<sup>175</sup> "Reasonable value" is what the other party "received in terms of what it would have cost him to obtain it from a person in the claimant's position." RESTATEMENT (SECOND) OF CONTRACTS § 371 (1981). It is usually based on market value. *Id.* at cmt. a.

<sup>176</sup> See *Cascaden v. Magryta*, 225 N.W. 511, 511-12 (Mich. 1929) (holding that the plaintiffs could not recover under an implied-in-fact contract because the work was not done, which would have allowed the plaintiffs to form an expectation of payment from the defendants).

claim made it qualitatively different from a copyright infringement claim.<sup>177</sup>

The *Wrench* court did not adhere to a bright-line rule to resolve the preemption issue, but instead, went through a step-by-step analysis of the infringing action, the elements of proof, and the available remedies to conclude that the claim was qualitatively different as to avoid preemption.<sup>178</sup>

*Fischer v. Viacom International, Inc.*<sup>179</sup> also follows the fact-specific approach by looking at the particular rights at issue to determine if the claim is preempted.<sup>180</sup> The plaintiff in *Fischer* developed an animated character team of “a guy named ‘Steve’ and his blue dog named ‘Bluey.’”<sup>181</sup> He drafted a written proposal for an animated television series based on the character team and submitted it to Nickelodeon U.K.<sup>182</sup> Nickelodeon asked for permission from the plaintiff to allow Viacom, Nickelodeon’s parent company, to keep “the details of the series on file for future reference.”<sup>183</sup> The plaintiff responded by sending a more detailed description, a script for a pilot of the animated show, a sheet that displayed the characters in different poses, and character descriptions.<sup>184</sup> The plaintiff and Viacom continued their exchanges, and Viacom purportedly expressed interest in the character team and encouraged the plaintiff to continue developing it.<sup>185</sup> The plaintiff was then told to “pursue the production of his series” and he was given people to contact.<sup>186</sup> Based on this encouragement, the plaintiff produced a five-minute video and sent it to Nickelodeon.<sup>187</sup> The plaintiff was then sent a release to sign,<sup>188</sup> whereupon he broke off all contact with Nickelodeon so that he could retain the rights to his work.<sup>189</sup> Nickelodeon never returned any of the plaintiff’s materials.<sup>190</sup> The plaintiff subsequently discovered a show similar in design

<sup>177</sup> See *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 456 (6th Cir. 2001) (concluding that the qualitative difference is reflected in the different remedy granted under a state law claim). *But see* *Am. Movie Classics Co. v. Turner Entm’t Co.*, 922 F. Supp. 926, 932 n.5 (S.D.N.Y. 1996) (noting that there is “no authority for the novel proposition that a ‘qualitative difference’ between the state law claim and the copyright claim may be supplied by a difference in damages claimed for the same basic wrong”).

<sup>178</sup> See Steven T. Lowe, *Preemptive Strike*, 26 L.A. LAW 37, 38 (2003) (“The majority of federal and state courts that have addressed preemption defenses to breach of contract claims have required a fact-specific analysis that inquires whether the promise underlying the contract is essentially nothing more than a promise not to violate federal copyright law.”).

<sup>179</sup> 115 F. Supp. 2d 535 (D. Md. 2000).

<sup>180</sup> See *id.* at 542 (stating that the better approach is to look at the contractual rights to determine equivalency).

<sup>181</sup> *Id.* at 537.

<sup>182</sup> *Id.*

<sup>183</sup> *Id.*

<sup>184</sup> *Id.* at 537–38.

<sup>185</sup> *Id.*

<sup>186</sup> *Id.*

<sup>187</sup> *Id.*

<sup>188</sup> See *supra* notes 30–36 and accompanying text (discussing releases).

<sup>189</sup> *Fisher*, 115 F. Supp. 2d at 538.

<sup>190</sup> *Id.*

to his animated character team of Steve and Bluey had aired on Nickelodeon.<sup>191</sup>

Similar to *Wrench*, the *Fischer* court examined the payment right created by the implied contract and the plaintiff's expectation of payment if his idea was used.<sup>192</sup> However, unlike *Wrench*, the court found that the rights in the implied contract were equivalent to the rights under copyright law, focusing on the implied contract's role as a tool to restrict use by someone other than the plaintiff.<sup>193</sup> The court appeared to not place too much emphasis on "payment," as it regarded the contract as pure regulation of "use" rather than regulation of payment.<sup>194</sup>

Similarly, in *Selby v. New Line Cinema Corp.*,<sup>195</sup> the court scrutinized the nature of the plaintiff's allegations to conclude that copyright law preempted the implied-in-fact contract claim.<sup>196</sup> The plaintiff alleged that the defendant agreed to pay him and give him screen credit if his ideas were used to produce and distribute a film.<sup>197</sup> The plaintiff had submitted his screenplay for a movie entitled "Doubletime" to New Line Cinema, whereupon "New Line informed [him] that it had recently produced a 'time-travel' film and 'it was therefore reluctant to produce another film that employed transitions in time as a central element.'"<sup>198</sup> New Line sustained a relationship with the plaintiff by requesting any future drafts of "Doubletime,"<sup>199</sup> and New Line later purchased a screenplay entitled "Frequency" with the same premise.<sup>200</sup> The court found that any restriction on use of the plaintiff's ideas strictly fell within the Copyright Act.<sup>201</sup> The court believed that the plaintiff alleged no additional rights beyond the right to use his own work as he pleased.<sup>202</sup> The implied contract, as framed by the court, did not control conduct beyond the use of the plaintiff's ideas.<sup>203</sup> The court overlooked the plaintiff's demand for compensation, finding that the right to use the plaintiff's idea was equivalent to the rights granted under federal copyright law and therefore preempted.<sup>204</sup>

The court in *Idema v. Dreamworks*<sup>205</sup> also emphasized the appropriateness of a fact-specific analysis, focusing on the *actual*

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<sup>191</sup> *Id.*

<sup>192</sup> *Id.* at 542.

<sup>193</sup> *Id.*

<sup>194</sup> *Id.*

<sup>195</sup> 96 F. Supp. 2d 1053 (C.D. Cal. 2000).

<sup>196</sup> *Id.* at 1061–62.

<sup>197</sup> *Id.* at 1061.

<sup>198</sup> *Id.* at 1055.

<sup>199</sup> *See id.*

<sup>200</sup> *Id.*

<sup>201</sup> *Id.* at 1061–62.

<sup>202</sup> *See id.*

<sup>203</sup> *Id.* at 1062.

<sup>204</sup> *Id.*

<sup>205</sup> 162 F. Supp. 2d 1129 (C.D. Cal. 2001).



allegations at issue and the “gravamen” of the state law claim.<sup>206</sup> The plaintiff’s claim for breach of implied contract was based on the studio’s understanding that the plaintiff’s story could only be used if the plaintiff was paid and on the studio’s knowledge that the plaintiff already prepared book and movie proposals.<sup>207</sup> Unlike *Selby* and *Fischer*, the court concluded that the “extra element” was the exchange of promises, relying on more than acts of reproduction, copying, distribution, or performance.<sup>208</sup>

It is apparent from the varied applications of the “extra element” test that the courts’ conclusions were primarily shaped by how they framed their analyses and how they chose to perceive the allegations—focusing on prohibiting use or focusing on compensation.<sup>209</sup> Even the *Idema* court recognized that it could have held the breach of contract claim preempted, stating:

Though it is certainly possible that this claim is preempted, in whole, or in part, by the Copyright Act, that preemption is not clear to this Court (a subsequent state court is certainly empowered, with greater elucidation of the factual allegations underpinning the claim, to make its own findings about preemption under copyright).<sup>210</sup>

A fact-specific analysis, therefore, will yield different results.<sup>211</sup> As depicted above, similar factual situations have led to conflicting findings, yet the courts have not established a consistent, factually-based method to determine whether there is an “extra element.” The division among the circuits will further deepen as courts commit to applying their own tests and theories to copyright preemption cases.<sup>212</sup> The uncertainty in the court system trickles down to impact business operations as writers, producers, and studios become apprehensive of their legal rights.<sup>213</sup> A coherent procedure to analyze state law claims for an “extra element” is necessary to sustain the flow of everyday business and to guide the courts in their decision-making.<sup>214</sup>

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<sup>206</sup> *See id.* at 1190 (describing how the court looks at the *asserted* state law claims in comparison to a federal copyright claim).

<sup>207</sup> *Id.* at 1172–73.

<sup>208</sup> *Id.* at 1191.

<sup>209</sup> *See* Viet D. Dinh, *Reassessing the Law of Preemption*, 88 GEO. L.J. 2085, 2085 (2000) (“[T]he Supreme Court’s numerous preemption cases follow no predictable jurisprudential or analytical pattern.”).

<sup>210</sup> *Idema*, 162 F. Supp. 2d at 1195

<sup>211</sup> *See* Dinh, *supra* note 209, at 2085 (observing that the nature of the preemption analysis partly explains the indeterminacy of court decisions).

<sup>212</sup> *Pilgrim Films & Television, Inc. v. Montz*, No. 11–143, 2011 WL 3380764, at \*11 (U.S. Aug. 2, 2011) (noting that the court’s holding that the breach of contract claim was not equivalent to any of the rights under copyright law would further deepen a longstanding circuit split).

<sup>213</sup> Brophy, *supra* note 88, at 515.

<sup>214</sup> *Circuit Split Warrants Review of Copyright Act Preemption, TV Studios Say*, 20 MEALEY’S LITIG. REP. INTELL. PROP. 25 (2011) (noting that nationwide copyright uniformity is important).

#### IV. SELBY CHARTS THE PATH FOR A DEFINITIVE APPLICATION OF THE “EXTRA ELEMENT” TEST

The significance of *Selby* is not its holding, but its review of the *ProCD* decision, which, as explained in Part IIIA, articulated that breach of contract claims are never preempted.<sup>215</sup> The *Selby* court essentially criticized the characterization of a promise to pay as an “extra element” in the preemption analysis.<sup>216</sup> The *Selby* court stated, “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.”<sup>217</sup> In other words, allowing a copyright holder to pursue a breach of contract claim would weaken the power of copyright preemption because payment for the benefit of a copyrighted work is already embodied in the rights granted to a copyright holder and thus governed by copyright law. The *Selby* court does not go so far to say that a payment promise preempts a breach of contract claim in every case, but only that under the particular facts of *Selby*, the promise was woven into the screenplay owner’s copyright. The *Selby* court’s use of the words “inextricably entwined” shapes this Comment’s proposal for a better copyright preemption system based on the facts of any given case.

##### A. Connecting “Inextricably Entwined” to Constitutional Law

Similar to the way that *Selby*’s use of the term draws attention, the Supreme Court heavily relied on the term “entwine” in a notable decision. In *Brentwood Academy v. Tennessee Secondary School Athletic Association*,<sup>218</sup> the phrase “pervasive entwinement” was coined as a way to determine if state action existed when a constitutional question was brought before a court. State action is any action that is taken by the government, or on behalf of the government, especially in the context of constitutional law.<sup>219</sup> The “pervasive entwinement” test evaluated whether the conduct of a private actor, such as an individual or business, was so closely tied to the state as to attribute the private actor’s conduct to that of the state.<sup>220</sup> If the private actor’s conduct was so pervasively entwined with the state, then state action existed and the private actor is deemed to have essentially acted

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<sup>215</sup> See *Selby v. New Line Cinema Corp.*, 96 F. Supp. 2d 1053, 1059 (C.D. Cal. 2000).

<sup>216</sup> *Id.* at 1060. See *supra* notes 107–109 and accompanying text (discussing the dangers with following the courts and commentators who find that breach of contract claims are *never* preempted).

<sup>217</sup> *Selby*, 96 F. Supp. 2d at 1060 (emphasis added). The hypothetical that the *Selby* court lays out is: “Suppose, *e.g.*, that the defendant promised ‘I will not infringe any copyright or copyright protection in the script you are proposing to show me.’” *Id.* The promise is one to follow federal copyright law.

<sup>218</sup> 531 U.S. 288 (2001).

<sup>219</sup> BLACK’S LAW DICTIONARY 1538 (9th ed. 2009).

<sup>220</sup> See Dionne L. Koller, *Frozen in Time: The State Action Doctrine’s Application to Amateur Sports*, 82 ST. JOHN’S L. REV. 183, 186 (2008); see also Lisa Mastrogiovanni, Case Note, *Brentwood Acad. v. Tenn. Secondary School Athletic Ass’n*, 121 S. Ct. 924 (2001), 12 SETON HALL CONST. L.J. 711, 713 (2002) (stating that the Supreme Court implemented a new method to find state action).

as the state.<sup>221</sup> Significantly, the test analyzed when one type of action resembled another action in such a striking way that one took on the character and identity of the other.<sup>222</sup> Even though the Supreme Court did not specifically define “entwinement,”<sup>223</sup> it illustrated what entwinement looks like in a heavily fact-centered inquiry.<sup>224</sup>

The defendant in the case was Tennessee Secondary School Athletic Association (the “Association”), a membership organization set up to regulate interscholastic sports among public and private schools in Tennessee.<sup>225</sup> The plaintiff was Brentwood Academy, a private school and a member of the Association.<sup>226</sup> Brentwood Academy challenged a rule prohibiting the use of undue influence in recruiting athletes,<sup>227</sup> claiming that the Association’s enforcement of the rule constituted state action.<sup>228</sup> The Court focused on the organization and composition of the Association to conclude that it was “overborne by the pervasive entwinement of public institutions and public officials . . . .”<sup>229</sup> In other words, the Association, a seemingly private institution, operated as a public, state organization, composed of officials that were treated like state employees.<sup>230</sup> The Court recognized that the Association could not operate without the public school officials who overwhelmingly managed the Association.<sup>231</sup>

Furthermore, Tennessee’s State Board of Education used its statutory authority to expressly delegate power to the Association to regulate interscholastic sports among Tennessee public schools.<sup>232</sup> The State Board of Education later dropped its endorsement of the Association.<sup>233</sup> But the Court found this irrelevant because a strong relationship still existed between the Association and the State. The extensive involvement of public

<sup>221</sup> The “state action” doctrine: private conduct does not have to comply with the Constitution while actions of the state have to do so. ERWIN CHEMERINSKY, *CONSTITUTIONAL LAW PRINCIPLES AND POLICIES* 486 (2d ed. 2002). The rights and liberties granted to individuals by the U.S. Constitution are protected only against the government. STEVEN EMANUEL & LAZAR EMANUEL, *CONSTITUTIONAL LAW* 417 (Aspen Publishers 26th ed. 2008). Where an individual asserts that his constitutional rights have been violated, a court can hear a case only if there has been some participation by the government in the challenged activity. *Id.*

<sup>222</sup> *Brentwood Acad.*, 531 U.S. at 303 (stating that pervasive entwinement can be shown by relevant facts that point to overlapping identity).

<sup>223</sup> *Id.* at 312 (Thomas, J., dissenting).

<sup>224</sup> *Id.* at 298 (noting that the inquiry is necessarily fact-bound). The Court made clear that the character of an entity is not determined by its characterization in statutory law. *Id.* at 296.

<sup>225</sup> *Id.* at 291.

<sup>226</sup> *Id.* at 293.

<sup>227</sup> *Id.*

<sup>228</sup> *Id.*

<sup>229</sup> *Id.* at 298.

<sup>230</sup> *Id.* at 300.

<sup>231</sup> *Id.*

<sup>232</sup> *See id.* at 292 (observing that the State Board of Education had acknowledged the Association’s functions by adopting a rule that designated the Association as “the organization to supervise and regulate the athletic activities in which the public junior and senior high schools in Tennessee participate on an interscholastic basis”). The State Board had the power to revoke that designation by its own will. *Id.*

<sup>233</sup> *Id.* at 300.

employees at every level of the Association was a meaningful indicator of entwinement.<sup>234</sup> The private character of the Association merely masked the State's role, as the Association was acting as an arm of the State through the Board of Education. The particular facts of *Brentwood* are not significant to this Comment's analysis of copyright preemption, but the Court's logic of how the private athletic association came to be "charged with a public character" provides insight into how a copyright claim can be masked as a state claim.<sup>235</sup>

The *Brentwood* court determined that "entwinement" is appropriate when the facts justify labeling "an ostensibly private action as public instead."<sup>236</sup> "[T]he relevant facts [may] show pervasive entwinement to the point of largely overlapping identity . . . ."<sup>237</sup> In other words, complete entwinement might render two identities completely indistinguishable.<sup>238</sup> But the Court also suggested that entwinement could be unwound if there was an offsetting reason to differentiate the two identities.<sup>239</sup> The Court appears to indicate that an element may exist that takes private action out of the public sphere in the same way that an "extra element" can save a state law claim from federal copyright preemption. The Court's reasoning might be summed up with the duck test: "If it looks like a duck, swims like a duck, and quacks like a duck, then it is probably a duck."<sup>240</sup> If it looks like state action, and acts like state action, then it is probably state action.

Focusing on the *Brentwood* court's interpretation of what it means for two separate entities to be so entwined as to be inseparable, this Comment proposes to apply the "pervasive entwinement" test to the analysis of copyright preemption. The central question is whether copyright law is so

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<sup>234</sup> *Id.* at 301–02.

<sup>235</sup> *Id.* It is particularly relevant that the *Brentwood* case did not set out any concrete factors or elements as part of the "pervasive entwinement" test. *See id.* at 303 ("[N]o one criterion must necessarily be applied."). It focuses on the facts themselves to determine the real character of the entity and describes entwinement as a general concept in an indirect way. *Id.* at 295 ("[N]o one fact can function as a necessary condition across the board for finding state action; nor is any set of circumstances absolutely sufficient . . . .").

<sup>236</sup> *Id.* at 303.

<sup>237</sup> *Id.*

<sup>238</sup> *See id.* at 300 (explaining that the minority of *private* schools kept the private organization from being characterized as "public," which kept total entwinement—where the identities of the private organization and the State are totally indistinguishable—from occurring).

<sup>239</sup> *Id.* at 291, 303 (holding that the private organization's activity should be treated as that of the State due to the pervasive entwinement of state officials in the organization and the absence of any reason to see the organization's actions in any other way).

<sup>240</sup> *See* Bruce W. Jentleson, *Beware the Duck Test*, 34 WASH. QUARTERLY 137, 137 (Summer 2011) available at [http://esis.org/files/publication/twq11summerjentleson\\_0.pdf](http://esis.org/files/publication/twq11summerjentleson_0.pdf) (explaining the origins of the duck test). The duck test was proposed by a U.S. ambassador to explain why the United States was scheming to take down the Guatemalan government: "Many times it is impossible to prove legally that a certain individual is a communist; but for cases of this sort I recommend a practical method of detection—the 'duck test' . . . . [I]f a bird certainly looks like a duck. Also, he goes to the pond and you notice he swims like a duck . . . . Well, by this time you've probably reached the conclusion that the bird is a duck, whether he's wearing a label or not." *Id.* (quoting WALTER LAFEVER, *INEVITABLE REVOLUTIONS: THE UNITED STATES IN CENTRAL AMERICA* 115–16 (W.W. Norton & Company 2d ed. 1993)).

entwined with a state law claim as to subject the claim to preemption. Similar to its application in *Brentwood*, the entwinement test will continue to uphold the fact-specific analysis used by many courts to find an “extra element” and thus refrain from adopting a bright-line rule.<sup>241</sup>

The entwinement test will measure the degree to which federal copyright law overcomes the identity of a state law cause of action.<sup>242</sup> Complete entwinement would occur where copyright law completely subsumes the state law claim, resulting in automatic preemption. For example, in an action for breach of confidence where the plaintiff’s *only* claim is that the defendant took the plaintiff’s materials and copied the content and ideas thereby breaking the plaintiff’s confidence, copyright law overrides the breach of confidence claim.<sup>243</sup> Without showing any evidence that a confidential relationship existed, copyright law is the only source of authority that the plaintiff can rely on to assert his grievance in court. A breach of confidence action requires a confidential relationship, but if no such relationship exists, the plaintiff cannot use it as a weapon for protection against a defendant’s unlawful use.<sup>244</sup> Copyright law would be the plaintiff’s most powerful resource, which he could employ to obtain a remedy and reclaim his rights. It dictates the outcome where a copyright thief impedes the plaintiff’s ability to control how his work is used.<sup>245</sup> Copyright law, therefore, takes over the state law claim and preempts it when complete entwinement occurs. The complete opposite takes place when the two claims are not entwined: state law rules and there is no preemption.

As an alternative to the “extra element” test, the entwinement test will not necessarily draw a conclusion of whether a definitive “extra element” exists or not. Instead, the “extra element” test will be folded into the “pervasive entwinement” test. If a fact or set of facts unveils something

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<sup>241</sup> See Bohannon, *supra* note 67, at 619 (“Categorical approaches to the issue of contract preemption are antithetical to preemption law.”). A categorical rule based on the type of state law claim is not helpful because it is possible for a state law claim to be found preempted in some situations and not preempted in other situations, depending on the facts at hand. For example, a claim for conversion is usually a distinct tort, but it can be preempted if it is alleged that a defendant used and distributed the work. *Dielsi v. Falk*, 916 F. Supp. 985, 992 (C.D. Cal. 1996).

<sup>242</sup> See *supra* note 222 and accompanying text.

<sup>243</sup> See *Idema v. Dreamworks, Inc.*, 162 F. Supp. 2d 1129, 1191 (C.D. Cal. 2001) (examining the plaintiff’s allegations of a breach of confidence claim where no “extra element” was found, even though many courts have found that in a breach of confidence claim, the “extra element” is the confidential relationship or mutual understanding between the parties).

<sup>244</sup> “An actionable breach of confidence will arise when an idea, whether or not protectable, is offered to another in confidence, and is voluntarily received by the offeree . . . [and used] for purposes beyond the limits of the confidence without the offeror’s permission.” *Tele-Count Eng’rs, Inc. v. Pac. Tel. & Tel. Co.*, 214 Cal. Rptr. 276, 279 (Cal. Ct. App. 1985). A breach of confidence claim focuses on the nature of the relationship between the parties to the agreement. *Rokos v. Peck*, 227 Cal. Rptr. 480, 489 (Cal. Ct. App. 1986).

<sup>245</sup> See Barton Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions, 1978–2005*, 156 U. PA. L. REV. 549, 557 (2008) (noting that the structural format of the Copyright Act “leans toward protection”).

akin to an “extra element,” entwinement is unwound as the state law claim becomes more distinct from a copyright claim. But if the facts show no “extra element,” the analysis does not end there. The “pervasive entwinement” test will measure the *degree* to which a state-created right is established, rather than whether it exists or not (which is what the “extra element” test does). In other words, if it looks like copyright infringement and acts like copyright infringement, then it probably is copyright infringement.<sup>246</sup>

#### B. The Meaning of “Pervasive Entwinement” for Implied Contracts of Payment in the Entertainment Industry

Applying the “pervasive entwinement” test to breach of implied contract cases means evaluating the extent to which an implied contract has created a right distinct from the rights asserted under copyright law. The test will measure the strength with which the right to be paid has been established. This will essentially come down to the expectations of payment (the expectation of receiving payment and the expectation of giving payment) between the parties involved.<sup>247</sup> A plaintiff who has proven a mutual understanding of the circumstances surrounding payment in exchange for use would be justified in utilizing contract law to assert his right to payment. In such an instance, contract law is the more appropriate authority to obtain a remedy because it governs a bargained-for exchange between two parties where expectations are thwarted.<sup>248</sup> Copyright law does not completely account for the situation because the right to regulate the use of a work is only one component of the dispute; the mutual expectation of the right to be paid is the other component.<sup>249</sup> Where the dual expectations of payment have not been recognized, or only minimally established as part of an exchange, copyright law governs the reclamation of rights to use a work.<sup>250</sup> Copyright law is more pervasively entwined in the alleged state law claim and preemption occurs. Therefore, the pervasive entwinement test in the context of implied contracts will require an analysis of each party’s expectations.

This Comment proposes not only to advance the entwinement test utilized in constitutional law but also to set forth factors to guide the analysis. The absence of a clear road-map in fact-specific, “extra element”

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<sup>246</sup> See *supra* note 240.

<sup>247</sup> See BREIMER, *supra* note 11, at 168 (concluding that a contract can be established if it is *clear* that the person disclosing an idea will be paid if the idea is used).

<sup>248</sup> See MILLER, *supra* note 16, at 35 (explaining that under contract law, the party who made the offer receives goods or services and the party who accepts the offer receives payment).

<sup>249</sup> See Bohannon, *supra* note 67, at 643 (explaining that contracts usually contain an additional promise that is different in some way from the promise to not infringe an exclusive right of copyright).

<sup>250</sup> See *Copyright Basics*, U.S. COPYRIGHT OFFICE, 2, <http://copyright.gov/circs/circ1.pdf> (last reviewed May 2012) (stating that copyright protection begins at the time the work is created and the copyright immediately becomes the author’s property so that only the author or those that receive rights through the author can rightfully claim copyright).

preemption cases have led to the distinct split among the circuits.<sup>251</sup> The courts, employing a fact-specific analysis, have not articulated any method of how they arrived at their conclusions.<sup>252</sup> As previously stated, categorical rules are the closest mechanism to a formulaic approach of preemption: state law claims are always or never preempted.<sup>253</sup> This Comment resists the categorical rules in favor of a factual analysis and further proposes four factors in considering whether a state law claim is equivalent to a copyright infringement claim: (1) the history of the relationship between the plaintiff and defendant, (2) the extent to which the plaintiff and defendant are close to finalizing a deal, (3) the components of the plaintiff's allegations, and (4) the predominant rights to be protected in the implied contract claim. The first two factors focus on the relationship between the plaintiff and defendant rather than explicitly on whether a copyright infringement claim and a state law claim intersect. But resolving the state of the plaintiff's and defendant's expectations contributes to measuring the extent to which a contract claim and a copyright claim are entwined. The expectation levels of each party influence the type of claim the plaintiff can pursue and the area of law under which the plaintiff can best achieve relief.

#### 1. First Factor: Course of Dealing Between the Plaintiff and Defendant

An implied contract for payment is based on the circumstances surrounding the idea disclosure.<sup>254</sup> One such circumstance is the history of the relationship between a plaintiff and defendant.<sup>255</sup> As two parties come into frequent contact with each other and engage in business deals, each develops a better understanding of what the other expects from a transaction.<sup>256</sup> Included in those expectations are the details surrounding compensation.<sup>257</sup> The payment terms are controlled by the relationship

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<sup>251</sup> See Bohannon, *supra* note 67, at 643 (stating that the “extra element” test is malleable and provides little guidance to courts in determining whether claims should be preempted).

<sup>252</sup> *Id.* at 627–28 (noting that it is unclear if the courts have done away with the “extra element” test or have applied the “extra element” test in a different way, but it is clear that courts have not analyzed equivalency in a technical way).

<sup>253</sup> See *id.* at 629 (noting that the court's analysis of preemption in breach of contract claims is more categorical than the analysis of preemption in other state law claims).

<sup>254</sup> See *Thompson v. Cal. Brewing Co.*, 12 Cal. Rptr. 783, 786 (Cal. Ct. App. 1961) (stating that the person who suggests an idea has a right to be paid when the circumstances of disclosing the idea demonstrate that an agreement to be paid can be implied); *Desny v. Wilder*, 299 P.2d 257, 270 (Cal. 1956) (explaining that a breach of contract claim can arise in a context where a contract can be implied from the circumstances before and after disclosure, conveying the conduct of the offeree or offeror who suggest they understand there is an obligation to pay at stake).

<sup>255</sup> See *supra* notes 10–16 and accompanying text.

<sup>256</sup> See *Vanderpool v. Higgs*, 690 P.2d 391, 392 (Kan. Ct. App. 1984) (“Contract law protects the expectation interest of contracting parties based on a voluntary agreement that defines their relationship.”).

<sup>257</sup> See *Lowe*, *supra* note 178, at 37, 40 (explaining that people with ideas do not want to prevent the use of ideas but simply want to be paid for the use of that idea).

between both parties and how they have negotiated in the past.<sup>258</sup> If the plaintiff brings a cause of action where the right to payment is in dispute, but the right has been recognized and successfully executed in similar past circumstances, the plaintiff should be justified in using contract law to enforce the right of payment because the expectations are clear.<sup>259</sup> Entwinement is weak because copyright law does not govern the entire transaction; copyright law is only one piece of the transaction.<sup>260</sup> Contract law is therefore necessary to protect the established right of payment, a right that is nowhere included in copyright law.<sup>261</sup> The plaintiff and defendant's course of dealing implicates the plaintiff's payment right because the defendant's understanding and past acceptance of the right distinguishes the contract claim from a copyright claim.

A plaintiff who has had no prior course of dealing with the defendant has neither established an expectation of payment nor arranged an accepted payment procedure.<sup>262</sup> The mutual understanding that accompanies the formation of an implied contract is demonstrated by words and actions.<sup>263</sup> But if a plaintiff and defendant have never transacted with one another, the plaintiff has no basis on which to interpret the defendant's words and actions. Such foundational knowledge would typically help the plaintiff decipher the defendant's expectation to pay for the use of an idea.<sup>264</sup> The plaintiff cannot use contract law to protect a right that the defendant does not know exists. As a result, it appears as if the plaintiff is merely protecting his rights as a copyright holder. Any state law claim the plaintiff asserts will have the identity of a copyright claim. Copyright law therefore becomes the primary foundation of the plaintiff's claim and preempts the cause of action.

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<sup>258</sup> See Stephen W. Ranere, Note, *Charting a Course: How Courts Should Interpret Course of Dealing in a Battle-of-Forms Dispute*, 41 SUFFOLK U. L. REV. 671, 675–77 (2008) (explaining that “course of dealing” can help interpret ambiguous terms of a contract based on evidence of prior dealings and that “course of dealing” can supply additional terms to the contract).

<sup>259</sup> See *Citizens Util. Co. v. Wheeler*, 319 P.2d 763, 769 (Cal. Ct. App. 2d 1957) (“The price may be fixed by the contract, or may be left to be fixed in such manner as may be agreed, or it may be determined by the course of dealing between the parties.”); see also GUNNAR ERICKSON, HARRIS TULCHIN & MARK HALLORAN, *THE INDEPENDENT FILM PRODUCER’S SURVIVAL GUIDE* 59 (2d ed. 2005) (“What makes contracts potent is that our legal system is designed to support contracts by providing a mechanism—lawsuits—to enforce them if one side does not fulfill its promise.”).

<sup>260</sup> See *supra* notes 161–162 and accompanying text.

<sup>261</sup> See *Vanderpool*, 690 P.2d at 392 (noting that where a breach is found, the fulfillment of the expectation interest gives the injured party the benefit of the bargain and puts him in the position he would have been in if there had been no breach).

<sup>262</sup> See *Citizens Util. Co.*, 319 P.2d at 769 (finding the court cannot set a price when there was no established market price, prior course of dealings, or industry practice); see also *Baumgold Bros., Inc. v. Allan M. Fox Co., E.*, 375 F. Supp. 807, 813 (N.D. Ohio 1973) (demonstrating that the understanding of the parties is established by prior course of dealing).

<sup>263</sup> See *Johnson v. Nasi*, 309 P.2d 380, 383 (Wash. 1957) (“An implied contract or mutual understanding to pay for services rendered is not established in the absence of particular facts indicating such mutual understanding . . .”).

<sup>264</sup> See JOSEPH M. PERILLO, *CALAMARI AND PERILLO ON CONTRACTS* 166 (5th ed. 2003) (“[B]ehavioral patterns under prior contracts and under the contract are of enormous importance in interpreting and supplementing the contract.”).



Analyzing the past course of dealing between a plaintiff and defendant will determine how expectations are managed between the two parties and thus contributes to establishing the identity of a state law claim.

## 2. Second Factor: The Proximity to Making a Deal

As the plaintiff and defendant approach a finalized deal, the expectations of payment become clearer.<sup>265</sup> Where a defendant expresses his interest in the plaintiff's idea and encourages the plaintiff to further expand the idea or to take action beyond merely disclosing the idea, the defendant would be foolish to assume the plaintiff would perform those services for free.<sup>266</sup> The defendant's affirmative step to actively involve the plaintiff in development demonstrates an understanding that the plaintiff would eventually have to be compensated.<sup>267</sup> The plaintiff rightfully has an expectation that the work he completed specifically for the defendant would result in payment.<sup>268</sup>

The plaintiff and defendant would rely on contract law rather than copyright law to protect these expectations. For the plaintiff, copyright law will sufficiently protect a plaintiff's work only up to the point that a payment right becomes clear. When the plaintiff has initiated work for the defendant beyond idea disclosure, contract law ensures that the plaintiff will get paid for performing the work. For the defendant, contract law protects the defendant's right to receive the plaintiff's work *in exchange for* money. Therefore, as the payment right becomes clear, copyright law is unwound from entwinement with the state law claim, leaving the plaintiff free to pursue a breach of implied contract claim.

Furthermore, as the contact between the plaintiff and defendant becomes frequent, negotiations progress, and the business relationship develops, the likelihood of discussing payment becomes unavoidable. The frequency, extent and nature of contact between the plaintiff and defendant contribute to the likelihood that "the defendant knows or should know the plaintiff expects payment," an element of an implied-in-fact contract.<sup>269</sup> As the right of payment starts to become more defined between both parties,

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<sup>265</sup> See KELLY CHARLES CRABB, *THE MOVIE BUSINESS* 28 (2005) (explaining that if the defendant accepts the material, there is some understanding that he will give something of value to the submitter and the details are left to hash out at a later time).

<sup>266</sup> See Anschell, Hodulik & Rohrer, *supra* note 14, at 26 (explaining that if a plaintiff can demonstrate that the defendant went beyond attending a pitch meeting but took affirmative steps to accept the idea or form a written agreement, the claim has a better chance of surviving preemption); see also Miller, *supra* note 16, at 34 (explaining that in addition to a basic offer of "We want you to write and produce a theme song for our current production[,] the offer will indicate how much the company is willing to pay).

<sup>267</sup> See Anschell, Hodulik & Rohrer, *supra* note 14, at 26–27 ("The closer the parties come to reaching an agreement on the terms of an express contract, the more likely it is that the idea submission claims will survive a preemption challenge.").

<sup>268</sup> See PERILLO, *supra* note 264, at 840 (stating that "[a] contractual duty is discharged by performance" and that "[a] frequent method of performance is payment").

<sup>269</sup> Young v. Young, 191 P.3d 1258, 1263 (Wash. 2008).

contract law becomes a natural tool to protect the plaintiff if the right is infringed.<sup>270</sup> Copyright law would no longer be the proper mechanism to protect the plaintiff's rights over his work.<sup>271</sup>

*Fischer* might have turned out differently if it was analyzed using this factor. The plaintiff developed materials (script, character description, five-minute video for the defendant) for his animated character team, "Steve & Bluey," with the influence of the defendant.<sup>272</sup> Nickelodeon's interest in the plaintiff's idea and inducement to expand the idea indicated that the defendant wanted the plaintiff to perform a service for the defendant.<sup>273</sup> The average person who performs a service in a business transaction would expect payment.<sup>274</sup> The series of correspondence between the plaintiff and defendant slowly built up expectations of what the parties wanted from each other. Copyright law cannot protect this expectation in a business transaction.<sup>275</sup>

Where the plaintiff may have only submitted his idea without any response from the defendant or received an outright refusal of the submission, the plaintiff will probably find himself in the same situation as the *Selby* plaintiff with no acknowledgement from the defendant of the payment right.<sup>276</sup> Without the payment right, the plaintiff's only remaining claim would be the defendant's improper use of the work without authorization.<sup>277</sup> Copyright law would constitute the governing authority, thereby preempting any breach of contract claim.<sup>278</sup> Regardless, the plaintiff would most likely fail in his state claim because it would be difficult for the plaintiff to prove one of the elements of an implied-in-fact contract in the entertainment industry: that the defendant *accepted* the

<sup>270</sup> See ERICKSON ET AL., *supra* note 259, at 59 ("If there is doubt about what terms the parties agreed to or whether they ever created a contract by simultaneously agreeing on the terms, a judge is unlikely to enforce the deal.")

<sup>271</sup> See *Lowe*, *supra* note 178, at 41–42 (observing that the plaintiff is not seeking copyright remedies but contract remedies such as "the benefit of the bargain").

<sup>272</sup> *Fischer v. Viacom Int'l, Inc.*, 115 F. Supp. 2d 535, 538 (D. Md. 2000).

<sup>273</sup> See LITWAK, *supra* note 36, at 2 (noting that "if a party makes what appears to be an offer, and the other party accepts it, the offerer will be bound by the contract even if he doesn't want to make a contract"); MILLER, *supra* note 16, at 34 (describing how an offer initiating a transaction is as simple as saying, "We want you to do this for us.")

<sup>274</sup> See *supra* note 268 and accompanying text.

<sup>275</sup> Copyright law generally does not include the right to be paid. See Kenneth D. Crews, *Museum Policies and Art Images: Conflicting Objectives and Copyright Overreaching*, 22 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 795, 826 (2012).

<sup>276</sup> See CRABB, *supra* note 265, at 26 (noting that a producer will always clarify that "no agreement is created by the submission alone; there must be a future negotiation and a written agreement"); ERICKSON ET AL., *supra* note 259, at 59 (finding that if the most critical term of the contract, the amount to be paid, is missing, a judge will not set the price and enforce the contract).

<sup>277</sup> See MILLER, *supra* note 16, at 102 (stating that as part of the copyright holder's right to control his work, the owner can authorize others to "copy, distribute, and adapt their work"); CRABB, *supra* note 265, at 26 (clarifying that the producer has no obligation to the submitter).

<sup>278</sup> See MILLER, *supra* note 16, at 102 (explaining that a copyright protects a producer's rights to control and profit from their work).

disclosure *knowing* the conditions.<sup>279</sup> If the plaintiff has received a denial or no response from the defendant, the defendant most certainly has not accepted the disclosure.

Focusing on the timeline of the transaction and examining the eventuality of a deal closing would guide the courts in determining how each party's expectations are defined. The closer that the parties are to closing a deal, the more likely that one of the parties will be paid. The further away they are from reaching a deal, the less likely the payment terms will be defined.

### 3. Third Factor: Components of the Plaintiff's Allegations

The plaintiff's allegations will reveal the true nature of the plaintiff's contract claim and whether copyright law is entwined with the claim. Since the court only looks at the facts presented by the plaintiffs and defendants, the court can determine whether an exchange exists between the parties. The pervasiveness of an exchange finds more support in contract law than copyright law. Copyright law does not purport to regulate the circumstances of an exchange; contract law does. A clear exchange between two parties would distinguish a state claim from the principles of copyright.

The court should look to whether the plaintiff's complaint is focused towards proving the elements of a contract such as mutual assent and consideration (money in exchange for rights), or whether the complaint concentrates on proving the plaintiff's right to control his allegedly infringed work. If the plaintiff's complaint is overborne by facts that cater to the latter, any breach of contract claim the plaintiff alleges will be entwined with copyright. It would be difficult to separate a copyright claim from a breach of contract claim where the plaintiff predominantly alleges he can no longer use the work as he wishes. The plaintiff should, therefore, rely on copyright law to assert his grievance because his state law claim will be preempted. But if a plaintiff's complaint asserts an exchange that was supposed to take place, it may be easier to separate any copyright issues from breach of contract issues. The plaintiff could then look to the tenets of contract law to assert his claim. Nevertheless, whether a plaintiff can look to state law or federal copyright law will depend on an intensive examination of the allegations asserted in the complaint.

### 4. Fourth Factor: The Predominant Rights Protected in an Implied Contract Claim

This last factor relies on other circumstances or facts of a case that may establish dual expectations of payment. Where the plaintiff can prove that the right of payment has assumed a distinct identity from the right to

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<sup>279</sup> See *supra* note 37 and accompanying text.

control use of the copyrighted work, the plaintiff will have a stronger chance of escaping preemption. No matter how the plaintiff labels the state claim on the pleading or describes the rights he seeks to be protected, the deciding court must focus its analysis on the actual relationship between the rights asserted under state law and copyright.<sup>280</sup> The plaintiff's goal should be to distinguish the rights asserted under state law from federal rights under copyright law as much as possible.<sup>281</sup>

### 5. Balancing the Factors

This Comment proposes that the factors discussed above be examined together in totality to conclude whether preemption is proper. For example, if there is no history of a relationship between the plaintiff and defendant, the plaintiff will have a greater burden to prove that the parties are close to reaching a deal. Or if the parties are nowhere close to reaching a deal but the circumstances demonstrate knowledge by each party that payment is to occur at some point in the future, the balance will tip towards enforcement of the right under state law. This is to ensure that the parties actually recognize the right of payment. The factors will require courts to look at all the circumstances of a particular case rather than resorting to a bright-line rule. The more heavily the factors weigh in favor of pervasive entwinement and an indistinguishable identity shared between state-created rights and federal copyright, the greater the chances of preemption. Conversely, the more distinct and recognized the state rights become, the greater chance that the state claim survives preemption.

Although the "pervasive entwinement" test in the context of constitutional law has been criticized for being unclear and vague,<sup>282</sup> it can be argued that any fact-specific analysis potentially carries the same issues. For example, one criticism of the "extra element" test is that it lacks guidance since there is always some difference between state law and copyright law to take the claim out of preemption.<sup>283</sup> A small difference can be grounds for finding an "extra element," allowing many state claims to survive preemption and potentially rendering preemption useless. The "pervasive entwinement" test attempts to address this problem by examining the degree to which an "extra element" exists rather than if one exists or not. This Comment uses the "pervasive entwinement" test as a jumping off point. It attempts to offset the concerns of the "pervasive

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<sup>280</sup> See *Briarpatch Ltd. v. Phoenix Pictures, Inc.*, 373 F.3d 296, 307 (2d Cir. 2004) (concluding that the *underlying* right the plaintiff seeks to vindicate takes the claim outside of preemption).

<sup>281</sup> The plaintiff's goal is to "un-entwine" and to find an offsetting reason that would distinguish the two claims.

<sup>282</sup> See *Mastrogiovanni*, *supra* note 220, at 740 (stating that the Supreme Court does little to clarify entwinement, which leads to the theory's vague scope).

<sup>283</sup> See *Moore*, *supra* note 82, at 204 (concluding that the "extra element" to avoid preemption can be a small difference between state law and copyright).

entwinement” test by using factors that will lend some clarity and serve as a blueprint to the preemption analysis.

#### CONCLUSION

Copyright preemption of a state law claim has plagued the courts and entertainment industry professionals for quite some time. The split among the circuits regarding which test to apply and how to apply the test has led to inconsistent results. Some courts have tried to adopt categorical rules, which only frustrates the quest for guidance. Many courts have followed a fact-heavy analysis without offering any guideposts as to how they synthesized the facts to achieve their conclusion. A clear test focused on the facts but with defined factors to structure the analysis is necessary. The “pervasive entwinement” test used in constitutional law describes a situation where two entities are so alike that they are indistinguishable. By merging the two areas of constitutional law and copyright law, constitutional law could facilitate development in an area of copyright that courts have been unable to resolve. The “pervasive entwinement” test could be customized to copyright law with the use of factors to guide the test. The proposed factors to be utilized in analyzing breach of implied contract claims for preemption are tailored to the entertainment industry. While it is not for the judiciary to predict the future, it can examine the course of dealing between the two parties, the extent of the parties’ working relationship on the particular project, the plaintiff’s immediate allegations, and other facts or circumstances that contribute to demonstrating that a mutual expectation of payment exists. The proposed test will maintain an emphasis on the facts of each particular case while providing courts with a touchstone that they can use time and time again.