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ATTENTION SHOPPERS: THE FEDERAL CIRCUIT'S FAILURE TO PREEMPT CONTRACTUAL PROVISIONS PROHIBITING REVERSE ENGINEERING MAY CREATE A BLUE LIGHT SPECIAL ON JURISDICTIONAL FORUMS

*Christopher T. Blackford**

Using preemption doctrine against contracts is something like swinging a sledgehammer at a gnat: you are likely to hit the target, but you may do some serious damage to the things around it. More likely though . . . you might decide not to swing the hammer at all, for fear of hitting the wrong thing.¹

I. INTRODUCTION

ASIDE from the open source movement, which has struck fear in corporations such as Microsoft,² the communitarian view of software development largely became extinct as software became profitable. Entrepreneurs eventually realized that by circulating code without any proprietary protection, potential profits were being lost. While the primary scope of legal protection afforded to computer programs was initially limited to trade secret rights, the legal community eventually widened that scope to protect software under both copyright and patent law.³ As the software development industry continued to grow and evolve, businesses became more creative and sought protection from trademark rights as well.

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1. Mark A. Lemley, *Beyond Preemption: The Law and Policy of Intellectual Property Licensing*, 87 CAL. L. REV. 111 (1999).

2. The open source movement is a collaborative effort that encourages the free distribution of software to enhance and improve software development. A discussion of the open source movement and its impact on the mechanisms for protecting software is beyond the scope of this paper.

3. The software community initially relied on state trade secret law because doubts existed as to whether object code was copyrightable. These doubts began to disappear when the Copyright Act was amended in 1982. See 17 U.S.C. § 101 (1982) (adding the definition of computer program).

Although it may be argued that only a few of these proprietary restrictions have been consistently utilized by attorneys to protect their client's interests, the unique characteristics of software⁴ and the competitive nature of the industry compel inventors and attorneys to seek out all possible forms of protection both inside and outside the realm of intellectual property. In particular, the features of a successful, large-scale software business model, which primarily point to a wide distribution and public network of software products, have forced attorneys and inventors to add contractual arrangements to their arsenal of weapons. Contract law became a viable and valuable intellectual property protection strategy because it addressed the short comings of a mass distribution business model.

The problem with mass distribution of software is that it promotes exactly what intellectual property owners want to prevent—loss of control. Contracts cure this unwanted side effect of the business model, allowing software developers to maintain a higher degree of control over their commercially valuable knowledge than most traditional methods allow. For example, software companies often write contractual provisions into their software purchasing agreements that forbid the purchasing party or others from reverse engineering⁵ the product. Whether a contractual provision is enforceable, and thus successful in prohibiting a competitor from reverse engineering a program, depends on whether the private contract triggers the express preemption provision under the Federal Copyright Act (“Copyright Act”),⁶ the doctrine of field preemption,⁷ or the doctrine of implied conflict preemption.⁸

The use of either private contracts or state statutes to prohibit a software purchaser from reverse engineering a product has drawn complaints of preemption because it (1) eliminates a course of action that has been judicially recognized as a fair use defense to copyright infringement⁹ and (2) removes the Copyright Act from its role as the primary vehicle

4. In the context of intellectual property protection, software has been described as unique because it does not tailor itself in an ideal manner to any one of the available forms of protection. See Bart W. Showalter, Southern Methodist University Dedman School of Law Lectures on Software Protection & Licensing (Spring 2003). For example, protecting software under the statutory umbrella of the Federal Copyright Act has been described as trying to fit a square peg into a circular hole. *Id.*

5. The United States Supreme Court has described reverse engineering as a “fair and honest means . . . [of] starting with the known product and working backward to divine the process which aided in its development of manufacture.” *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476 (1974). When tailored to software development, reverse engineering is the process of deriving a program’s human readable source code from its machine readable object code. See Charles R. McManis, *Intellectual Property Protection and Reverse Engineering of Computer Programs in the United States and the European Community*, 8 HIGH TECH. L.J. 25, 28-29 (1993). Programs are generally only distributed in machine readable object code form because it is virtually impossible for a user to read. See *id.*

6. 17 U.S.C. § 301 (1996); see *infra* notes 32-52 and accompanying text.

7. See *infra* notes 53-58 and accompanying text.

8. See *infra* notes 59-69 and accompanying text.

9. *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1527-28 (9th Cir. 1992).

through which copyright infringement is policed.¹⁰ Although current judicial trends suggest that courts are accepting these negative effects as a corollary to upholding a sacred belief in freedom of contract, it is not apparent whether the courts understand the implications of utilizing contract law rather than copyright law to police copyright infringement.

This paper argues that judicial enforcement of contractual provisions prohibiting reverse engineering will allow plaintiffs seeking copyright infringement damages to contract around the Copyright Act as if it were a default rule. Rather than seeking protection under the Copyright Act, parties will instead attempt to enforce their rights through contract law. Parties who rely on breach of contract to pursue copyright infringement damages will do so without meeting any of the substantive requirements of intellectual property law.¹¹ Furthermore, courts will likely encounter cases in which plaintiffs cast their federal copyright claims entirely as state claims. An issue will then arise as to whether the courts should allow plaintiffs to plead their federal copyright claims entirely as state claims in order to avoid federal jurisdiction and seek the state forum of contract law most favorable to their case.¹² Focusing on this issue, this paper proposes that if courts continue to distinguish state contract claims as qualitatively different from federal copyright claims in order to evade the boundaries of copyright preemption, plaintiffs will not only be able to escape federal jurisdiction by pleading purely state claims, but will also likely become engaged in forum shopping among the states for the contract law most favorable to their case.

This paper is divided into six parts. Following the introduction, Part II provides a brief background on federal preemption. Part III of the paper narrows the scope of the discussion by viewing preemption through the lens of copyright law. Part IV of the paper presents a case study on a recently released opinion that discusses the issue of whether preemption strikes down contractual restraints against reverse engineering. After discussing the body of jurisprudence surrounding copyright preemption, Part V discusses the jurisdictional implications of enforcing contractual provisions prohibiting reverse engineering. Part VI concludes that in light of promoting jurisdictional forum shopping for a federal cause of action in which national uniformity is a primary legislative concern, courts should not be afraid to swing the “preemptive hammer” to strike down contractual provisions prohibiting reverse engineering.

10. See *Bowers v. Baystate Tech., Inc.*, 320 F.3d 1317 (Fed. Cir. 2003) (affirming the trial court’s decision to set aside copyright damages as duplicative of the contract damages); see also David A. Rice, *Public Goods, Private Contract and Public Policy: Federal Preemption of Software Licensing Prohibitions Against Reverse Engineering*, 53 U. PITT. L. REV. 543, 600-01 (1992).

11. Rice, *supra* note 10, at 600-01.

12. *Id.* at 610-11.

II. BRIEF BACKGROUND ON FEDERAL PREEMPTION

Preemption doctrine can be described as a judicial tool by which courts control conflict between federal and state law. It begins with the Supremacy Clause, which defines federal law as the “supreme law of the land.”¹³

The Supremacy Clause states, in relevant part, that “[t]his Constitution, and the Laws of the United States which shall be made in Pursuance thereof . . . shall be the Supreme Law of the Land; and the Judges in every State shall be bound thereby, anything in the Constitution or Laws of any State to the Contrary notwithstanding.”¹⁴ Because the Supremacy Clause defines federal law as supreme, state laws and regulations are preempted when they conflict with the objectives of federal law. Under the Supremacy Clause, courts have recognized three scenarios in which state laws and regulations may be preempted by federal law: (1) “when Congress, in enacting a federal statute, has expressed a clear intent to preempt state law”; (2) “when it is clear, despite the absence of explicit preemptive language, that Congress has intended . . . to occupy an entire field of regulation and has thereby ‘left no room for States to supplement’ federal law”; and (3) “when compliance with both state and federal law is impossible or . . . state law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.”¹⁵

A. EXPRESS PREEMPTION DOCTRINE

When Congress passes a statute containing a set of preemptive parameters, courts determine the preemptive scope of the provision.¹⁶ While it is well settled that courts have the judicial authority to interpret the scope of preemptive provisions, courts often struggle to find clear congressional intent in the express language of these provisions. Courts face a difficult task when trying to read congressional intent from a preemptive clause because the language is often found to be ambiguous and devoid of any

13. U.S. CONST. art. VI, cl. 2.

14. *Id.*; see also LAURENCE H. TRIBE, *AMERICAN CONSTITUTIONAL LAW* § 6-28 (3d ed. 2000), cited in Mary J. Davis, *Unmasking the Presumption in Favor of Preemption*, 53 S.C. L. REV. 967, 1030 n.1 (2002).

15. *Capital Cities Cable, Inc. v. Crisp*, 467 U.S. 691, 699 (1984).

This exclusive delegation or rather this alienation, of State sovereignty would only exist in three cases: [(1)] where the Constitution in express terms granted an exclusive authority to the Union; [(2)] where it granted in one instance an authority to the Union, and in another prohibited the States from exercising the like authority; and [(3)] where it granted an authority to the Union to which a similar authority in the State would be absolutely and totally contradictory and repugnant.

THE FEDERALIST NO. 32, at 166 (Alexander Hamilton) (Clinton Rossiter ed., 1999), quoted in Jennifer E. Rothman, *Copyright Preemption and the Right of Publicity*, 36 U.C. DAVIS L. REV. 199, 236 n.163 (2002).

16. See *Geier v. Am. Honda Motor Co.*, 529 U.S. 861, 868 (2000) (interpreting the language of a preemptive provision); *Medtronic, Inc. v. Lohr*, 518 U.S. 470 (1996) (same); *Cipollone v. Liggett Group, Inc.*, 505 U.S. 504 (1992) (same).

“clear congressional command.”¹⁷

Until recently, the uncertainty emanating from the judicial construction of an ambiguous preemptive provision was troubling. Not knowing how a court would construe a statute’s preemptive clause was an issue of concern because the mere existence of the preemption clause in the statute was thought to foreclose other avenues of preemption.¹⁸ In *Geier v. American Honda Motor Co.*, the Supreme Court recently settled the matter by holding that an explicit preemption clause does not preclude the application of other avenues of preemption.¹⁹ Therefore, if a court holds that a statute’s preemption provision does not preempt a state action, the court may then proceed to ask whether other preemption principles apply.

B. IMPLIED PREEMPTION DOCTRINES

While express preemption depends in part upon judicial interpretations of legislative language, implied preemption doctrines are based on either Congress’s intent to preempt all state law in a particular area or an actual conflict between state and federal law.²⁰ Although the United States Supreme Court has historically utilized implied preemption doctrines as a last resort,²¹ some legal commentators have suggested that the Court has now shifted its preemption analysis away from express preemptive provisions to implied doctrines.²²

1. Implied Field Preemption

Implied field preemption exists when the “scheme of federal regulation is sufficiently comprehensive to make reasonable the inference that Congress ‘left no room’ for supplementary state regulation.”²³ Thus, courts will infer congressional intent to preempt all state law in a particular area

17. *Medtronic*, 518 U.S. at 505 (Breyer, J., concurring) (finding that the Medical Device Amendment’s preemption provision is highly ambiguous).

18. See *Cipollone*, 505 U.S. at 517 (“Congress’s enactment of a provision defining the pre-emptive reach of a statute implies that matters beyond that reach are not pre-empted.”).

19. *Geier*, 529 U.S. at 872.

20. The scope of federal law capable of preempting state law has been repeatedly held to encompass both federal statutes and regulations. *Hillsborough County v. Automated Med. Labs., Inc.*, 471 U.S. 707, 713 (1985) (citing *Capital Cities Cable*, 467 U.S. at 699; *Fidelity Federal Sav. & Loan Assn. v. De la Cuesta*, 458 U.S. 141, 153-54 (1982); *United States v. Shimmer*, 367 U.S. 374, 381-83 (1961)).

21. See *Davis*, *supra* note 14, at 1014 (stating that implied conflict preemption historically “served as a catch-all to preserve federal law’s supremacy”).

22. *Id.* at 1012-13. However, recent preemption cases arising under copyright and contract controversies suggest that the judicial application of express preemptive provisions is alive and well. See *Bowers v. Baystate Tech., Inc.*, 320 F.3d 1317 (Fed. Cir. 2003); *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446 (6th Cir. 2001); *ProCD, Inc. v. Ziedenberg*, 86 F.3d 1447 (7th Cir. 1996); *Nat’l Car Rental Sys., Inc. v. Computer Assocs. Int’l, Inc.*, 991 F.2d 426 (8th Cir. 1993).

23. *Hillsborough County v. Automated Med. Labs., Inc.*, 471 U.S. 707, 713 (1985) (citing *Rice v. Santa Fe Elevator Corp.*, 331 U.S. 218, 230 (1947)); see also *Capital Cities Cable*, 467 U.S. at 698-99.

and will likely preempt the state law at issue if congressional action has been so complete that there is no room for state regulation.²⁴ Congressional intent to preempt all state law in a particular area will also be inferred if the "field [of law] is one in which 'the federal interest is so dominant that the federal system will be assumed to preclude enforcement of state laws on the same subject.'"²⁵ Consequently, the primary focus of the courts is to ascertain the intent underlying the federal scheme.²⁶ When construing intent, the question of implicit intent to preempt extends beyond congressional action, and includes bureaucratic statements emanating from federal agencies.²⁷

2. *Implied Conflict Preemption*

Implied conflict preemption exists when courts recognize an actual conflict between state and federal law. Conflicts that may nullify a state law arise when "compliance with both federal and state regulations is a physical impossibility,"²⁸ or "when state law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress."²⁹ Therefore, the primary question for courts is whether a state and federal regulation can be enforced without marring the "federal superintendence" of the field.³⁰ The issue is not whether both regulations are aimed at similar or different objectives.³¹

III. FEDERAL PREEMPTION OF CONTRACTS IN THE CONTEXT OF COPYRIGHT LAW

When determining whether a contract is preempted by the Copyright Act, courts primarily look to the narrow statutory grounds of express preemption provided for under § 301 of the Copyright Act.³² Although it is not clear why a number of courts fail to consider preemption apart from § 301, the focus is on express preemption because the Copyright Act has an explicit preemption clause.

24. *Hillsborough County*, 471 U.S. at 713.

25. *Id.* (quoting *Rice*, 331 U.S. at 230); *see also* *Hines v. Davidowitz*, 312 U.S. 52 (1941).

26. *Hillsborough County*, 471 U.S. at 714.

27. *See id.* at 714-15 (stating that the FDA's statement was dispositive on the question of implicit preemption when analyzing the field of plasmapheresis).

28. *Id.* at 713 (quoting *Fla. Lime & Avocado Growers, Inc. v. Paul*, 373 U.S. 132, 142-43 (1963)).

29. *Id.* (quoting *Davidowitz*, 312 U.S. at 67).

30. *Fla. Lime*, 373 U.S. at 142.

31. *Id.*

32. *See* *Bowers v. Baystate Tech., Inc.*, 320 F.3d 1317 (Fed. Cir. 2003); *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446 (6th Cir. 2001); *ProCD Inc. v. Ziedenberg*, 86 F.3d 1447, 1455 (7th Cir. 1996); *Nat'l Car Rental Sys. Inc. v. Computer Assocs. Int'l Inc.*, 991 F.2d 426, 432 (8th Cir. 1993). *But see* *Vault v. Quaid Software Ltd.*, 847 F.2d 255 (5th Cir. 1988) (adopting the *Sears, Roebuck* implied conflict preemption test, which states that federal policy may not be set at naught when state law touches upon the area of patent or copyright statutes).

A. APPLYING EXPRESS PREEMPTION: 17 U.S.C. § 301

Section 301 of the Copyright Act provides, in relevant part, that:

all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 . . . and come within the subject matter of copyright as specified by sections 102 and 103 . . . are governed exclusively by this title. . . . [N]o person is entitled to any such right or equivalent right in any such work under the ‘*common law or statutes*’ of any State.³³

Under § 301, the Copyright Act preempts a state’s statute or common law when two requirements are met: (1) the work under dispute falls within the scope of copyright protection under § 102 and § 103 of the Copyright Act;³⁴ and (2) the state law or common law affords rights that are equivalent to rights provided in § 106 of the Copyright Act.³⁵

1. *Subject Matter Requirement*

The first question under § 301(a) is whether the state law or common law protects material within the scope of copyright law. This issue is critical because § 301 does not preempt state law protecting only non-statutory subject matter. Courts look to § 102 and § 103 to determine whether a work is within the subject matter of copyright. Sections 102 and 103 delineate what is and what is not within the scope of the Copyright Act.³⁶ Section 102 provides that “[c]opyright protection subsists in . . . original works of authorship fixed in any tangible medium of expression.”³⁷ In addition, § 102 restricts the scope of copyrightable material by expressly excluding ideas.³⁸ Section 103 extends protection to compilations and derivative works, but not to the preexisting and underlying materials contained within.³⁹

Judicial precedent provides that computer programs are within the subject matter of copyright.⁴⁰ Software, which is usually an original work of authorship fixed in a tangible medium, will likely contain forms of both expression and ideas. Consequently, a contract prohibiting reverse engineering of software inevitably bars access to both expression and ideas.⁴¹ While a § 301 analysis is unconcerned with the contractual protection af-

33. 17 U.S.C. § 301(a) (2002) (emphasis added).

34. *Id.* This is commonly referred to as the subject matter requirement.

35. *Id.* This is commonly referred to as the equivalency requirement.

36. Whether a work is actually copyrightable is no indication of whether the work is within the subject matter of copyright. See *ProCD, Inc.*, 86 F.3d at 1453; H.R. Rep. No. 94-1476, at 131-32 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5664. A work may fall within the subject matter of copyright but not be copyrightable because it does not meet the threshold standard of originality. See *ProCD, Inc.*, 86 F.3d at 1453-55; *Balt. Orioles, Inc. v. Major League Baseball Players Ass’n*, 805 F.2d 663, 668 (7th Cir. 1986).

37. 17 U.S.C. § 102(a).

38. *Id.* § 102(b). Although § 102 does not expressly exclude facts from the scope of protectable material, it is well settled that facts are not copyrightable. *Feist Publ’ns v. Rural Tel. Serv. Co.*, 499 U.S. 340, 344-45 (1991).

39. 17 U.S.C. § 103.

40. See *ProCD*, 86 F.3d at 1453; *Nat’l Car Rental*, 991 F.2d at 431-32.

41. See *Rice*, *supra* note 10, at 606.

forded to the ideas in the program, the protection afforded to the program's expression is critical because it is shielding statutory subject matter. Therefore, a contract that shields statutory subject matter, such as expression, satisfies the subject matter requirement under § 301(a) because the contract grants protection to material within the scope of copyright law.

2. *Equivalency Requirement*

Under the equivalency requirement, the primary issue is whether a state enforced contract creates protection equivalent to any right defined under § 106. Subject to certain limitations,⁴² § 106 gives copyright owners the exclusive rights to reproduce their work.⁴³ It does not, however, delineate when a state action is equivalent to a § 106 exclusive right.⁴⁴ To determine whether a state action is equivalent to a § 106 exclusive right, most courts apply the "extra element" test.⁴⁵

The extra element test provides that a state cause of action is not equivalent to a § 106 exclusive right and is not preempted if an additional element is found in the state cause of action that is not present in the federal copyright infringement claim.⁴⁶ Thus, the existence of an extra element indicates that the equivalency requirement is not satisfied, and that the state cause of action at issue is not preempted by the Copyright Act. However, appellate courts have recognized that not every extra element of a state law claim will sufficiently distinguish the state law claim to render it dissimilar from the exclusive rights protected under the Copyright Act.⁴⁷ Where the additional element "merely concerns the extent to which authors and their licensee can prohibit unauthorized copying by third parties," the state cause of action is equivalent to a copyright infringement claim and is thus preempted by the Copyright Act.⁴⁸

Courts applying the "extra element" test in the context of a copyright-contract dispute frequently argue that an extra element is present in the state contract claim that does not "merely concern the extent to which authors and their licensee can prohibit unauthorized copying by third parties."⁴⁹ Some courts propose that the extra element distinguishing the

42. See 17 U.S.C. §§ 107-122.

43. *Id.* § 106.

44. See *id.*

45. See generally *Bowers*, 320 F.3d at 1324; *Wrench LLC*, 256 F.3d at 458; *ProCD, Inc.*, 86 F.3d at 1455; *Nat'l Car Rental*, 991 F.2d at 431-32. The extra element test may also be referred to as the "equivalent in substance" test.

46. *Data Gen. Corp. v. Grumman Sys. Support Corp.*, 36 F.3d 1147, 1164-65 (1st Cir. 1994); see also *Computer Assoc. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 716 (2d Cir. 1992) ("But if an 'extra element' is 'required instead of or in addition to the acts of reproduction, performance, distribution or display, in order to constitute a state-created cause of action, then the right does not lie 'within the general scope of copyright,' and there is no preemption." (quoting 1 NIMMER ON COPYRIGHT § 1.01[B], at 1-15)), quoted in *Bowers*, 320 F.3d at 1324.

47. *Data Gen. Corp.*, 36 F.3d at 1164-65.

48. *Id.* at 1165.

49. *Id.*; see also *Bowers*, 320 F.3d at 1324.

state contract claim from any § 106 right is the mutual assent and consideration inherent in a private contractual agreement.⁵⁰ Other courts propose that a contractual restriction on the use of the software program is an additional element distinguishing the state claim from § 106,⁵¹ and yet others propose that “expectation of compensation” from an implied-in-fact contract is an element not envisioned by § 106.⁵² Whether courts are correct in holding that mutual consent and consideration is an additional element sufficient to distinguish a state claim from a federal copyright infringement claim, particularly when the contractual agreement is not freely negotiated and is void of any arms length dealing, is addressed in Part IV of this paper.

B. APPLYING IMPLIED FIELD PREEMPTION

It is unlikely that a court will ever use implied field preemption to hold that contracts relating to copyrightable software goods are preempted by the Copyright Act. The weights are stacked against implied field preemption because the judicial utilization of the doctrine would imply that congressional action has been so complete in the field of intellectual property law that there is no room for state regulation. Such a holding would be inconsistent with the Supreme Court’s seminal decisions in *Kewanee Oil Co. v. Bicron Corp.*⁵³ and *Goldstein v. California.*⁵⁴

1. *Article I, Section 8, Clause 8 of the Constitution does not Foreclose State Protection of Intellectual Property*

Kewanee and *Goldstein*, which both concluded that there was no preemption of the state law at issue, do not stand for the argument that Article I, Section 8, Clause 8 of the Constitution granted Congress exclusive power to make and enforce laws protecting intellectual property.⁵⁵ Instead, these cases recognize that Article I, Section 8, Clause 8 of the Constitution does not foreclose state protection of intellectual property.⁵⁶ The Supreme Court reaffirmed its position in *Aronson v. Quick Point Pencil Co.*, when it stated that “[s]tate law is not displaced merely because the contract relates to intellectual property which may or may not be patentable; the states are free to regulate the use of such intellectual prop-

50. *Bowers*, 320 F.3d at 1326.

51. *Nat'l Car Rental*, 991 F.2d at 432 (construing a contract prohibiting a party from using a program to process data for third parties as insufficient to create a right existing under copyright law).

52. *Wrench LLC*, 256 F.3d at 459 (distinguishing implied in law contracts from implied in fact contracts by recognizing that an implied in law contract is only based upon unauthorized use of the work – not an expectation of compensation) (citing *Del Madera Props. v. Rhodes & Gardner, Inc.*, 820 F.2d 973 (9th Cir. 1987)).

53. 416 U.S. 470 (1973).

54. 412 U.S. 546 (1974).

55. *Id.* at 553; *Kewanee*, 416 U.S. at 479.

56. *Goldstein*, 412 U.S. at 553; *Kewanee*, 416 U.S. at 479; see also Rice, *supra* note 10, at 582.

erty in any manner not inconsistent with federal law."⁵⁷ While the Court's language in *Aronson* recognizes that state regulation in the area of intellectual property is permissible, such regulation is allowed only to the extent that it remains consistent with federal law.⁵⁸ Therefore, *Aronson* suggests that implied field preemption is a dead body of law in the context of copyright and patent law. *Aronson*, however, does not preclude other forms of implied preemption such as conflict preemption.

C. APPLYING IMPLIED CONFLICT PREEMPTION

The majority of courts adjudicating copyright-contract disputes fail to analyze the state cause of action under implied conflict preemption.⁵⁹ Instead of expanding the judicial scrutiny of preemption to include implied conflict preemption, courts addressing the issue begin and end their analysis by reviewing express preemption under § 301.⁶⁰ Despite the courts' unexplained failure to utilize implied conflict preemption in cases presiding over copyright-contract disputes, legal precedent supports the principle that a state cause of action is preempted if it conflicts with federal law. More specifically, a state cause of action is preempted if it "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress."⁶¹ The Fifth Circuit Court of Appeals stands as the lone jurisdiction utilizing implied conflict preemption to resolve copyright-contract disputes.

1. *Vault Corp. v. Quaid*

In *Vault Corp. v. Quaid Software Ltd.*, the Fifth Circuit preempted a provision of the Louisiana Software License Enforcement Act that allowed software producers to impose contractual restraints against the reverse engineering of software.⁶² Pursuant to the preemptive strike against the statute, the court held that the contractual restriction in the license agreement prohibiting reverse engineering was unenforceable.⁶³ This holding was premised upon the district court's classification of the license agreement as a contract of adhesion.⁶⁴ The district court held that as a contract of adhesion, the license agreement was only enforceable if

57. 440 U.S. 257, 262 (1979), *quoted in* *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156 (1989).

58. *Id.*

59. *See* cases cited *supra*, note 32.

60. *Id.*

61. *Hillsborough County v. Automated Med. Labs., Inc.*, 471 U.S. 707, 713 (1985) (quoting *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941)).

62. *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255 (5th Cir. 1988).

63. *Id.*

64. *Id.* at 269. The district court defined a contract of adhesion as one that "is drafted unilaterally by the dominant party and then presented on a 'take-it-or-leave-it basis' to the weaker party who has no real opportunity to bargain about its terms." *Vault Corp. v. Quaid Software Ltd.*, 655 F. Supp. 750, 760 (E.D. La. 1987) (quoting *RESTATEMENT (SECOND) OF CONFLICT OF LAWS* § 187 cmt. b (1971), and citing *Burbank v. Ford Motor Co.*, 703 F.2d 865, 866-67 (5th Cir. 1983)).

the Louisiana statute was valid and enforceable.⁶⁵ Thus, the critical preemptive issue was not whether the license agreement “touched upon an area” of federal copyright law. The issue was whether the Louisiana statute “touched upon an area” of federal copyright law.

a. A State Law that Touches upon an Area of Federal Copyright Law and Conflicts with Rights of Software Owners Under § 117 is Preempted

The Fifth Circuit Court of Appeals based its preemption ruling in *Vault* on the implied preemption test articulated in *Sears Roebuck & Co. v. Stiffel Co.*⁶⁶ In *Sears*, the Supreme Court held that “[w]hen state law touches upon the area of [patent or copyright law], it is ‘familiar doctrine’ that the federal policy ‘may not be set at naught, or its benefits denied’ by state law.”⁶⁷ The Fifth Circuit applied the *Sears* implied preemption test, holding that the restrictive provision of the statute was preempted because restraints against copying and reverse engineering “conflict with the rights of the computer program owners under § 117 and clearly ‘touch upon an area’ of federal copyright law.”⁶⁸ Although *Vault* is criticized for ignoring the express statutory preemption provision contained in § 301 of the Copyright Act,⁶⁹ the case establishes that preemption is proper when a state law touches upon an area of federal copyright law and conflicts with rights of software owners under § 117. Thus, the case is significant because it demonstrates that implied conflict preemption can and should be used to strike down state action that clashes with the objectives of federal copyright law.

IV. A CASE STUDY OF A SOFTWARE CONTRACT/ COPYRIGHT DISPUTE: *BOWERS v. BAYSTATE TECHNOLOGIES, INC.*

In *Bowers v. Baystate Technologies, Inc.*, the defendant, Mr. Bowers, sold a computer aided design (“CAD”) software package implementing a

65. *Vault Corp.*, 655 F. Supp. at 761. The Fifth Circuit’s adoption of the district court’s holding raises concern as to whether standard form agreements such as shrink-wrap licenses are valid and enforceable software contracts. Although it appears the Fifth Circuit does not treat such instruments favorably, some legal commentators look to Judge Easterbrook’s opinion in *ProCD, Inc. v. Zeidenberg* as a ringing endorsement for the validity of shrink-wrap agreements. See 86 F.3d 1447, 1455 (7th Cir. 1996). Other legal scholars cite the recently proposed revisions under Article 2 of the Uniform Commercial Code as further proof that standard form agreements and shrink-wrap licenses should be enforced. However, the Article 2 revisions incorporating pro-shrink-wrap language appear to be dead in the water.

66. 376 U.S. 225, 229 (1964).

67. *Id.* (quoting *Sola Elec. Co. v. Jefferson Elec. Co.*, 317 U.S. 173, 176 (1942)).

68. *Vault Corp.*, 847 F.2d at 270. Section 117 of the Copyright Act permits copies of computer software provided that the new copy is “an essential step in the utilization of the computer program.” 17 U.S.C. § 117 (2000).

69. McManis, *supra* note 5, at 88 (criticizing *Vault*).

template he had patented.⁷⁰ In an attempt to improve his template and CAD software, Bowers bundled his software package with an add-on program.⁷¹ Labeled as Designer's Toolkit, the bundled software package was sold with a shrink-wrap license that prohibited reverse engineering.⁷² Shortly after Bowers released Designer's Toolkit, Baystate, Bowers' competitor, offered a similar software package incorporating many features of Designer's Toolkit.⁷³ The development of Draft-Pak, Baystate's software, surprised Bowers. One year before Bowers' software release, Baystate had rejected an offer from Bowers to have the Designer's Toolkit software package bundled with Draft-Pak.⁷⁴ Furthermore, Baystate had introduced its software package three months after it obtained three copies of Bowers' Designer's Toolkit.⁷⁵

When Baystate sued Bowers for declaratory judgment,⁷⁶ Bowers filed counterclaims for copyright infringement, patent infringement, and breach of contract.⁷⁷ The jury found Baystate liable on all three counterclaims, but the district court set aside the copyright damages as duplicative of the contract damages.⁷⁸ Both parties appealed the district court's judgment. Baystate appealed the denial of its motion for judgment as a matter of law, and Bowers appealed its denial of copyright damages.⁷⁹

On appeal, Baystate claimed it was not liable for breach of contract because the Copyright Act preempts the provision of the license agreement prohibiting reverse engineering.⁸⁰ The Federal Circuit Court of Appeals, applying the law of the First Circuit Court of Appeals,⁸¹ held that the Copyright Act does not preempt Bowers' breach of contract claim.⁸² Therefore, the court declined to extend the preemptive holding of *Vault* to include "private contractual agreements supported by *mutual consent and consideration*."⁸³

70. 320 F.3d 1317, 1320-21 (Fed. Cir. 2003). The patented template improves the CAD program by placing commands in a visual and logical order. *Id.* at 1321. Without the template, commands in a CAD program are often presented to users in nested menus that are many layers deep. *Id.* Such layering can make it difficult for a user to find a desired command in a short period of time. *Id.*

71. *Id.* at 1321-22.

72. *Id.* at 1322.

73. *Id.*

74. *Id.*

75. *Id.*

76. Baystate sued Bowers for declaratory judgment, asserting that (1) its products did not infringe Bowers' patent, (2) Bowers' patent is invalid, and (3) Bowers' patent is unenforceable. *Id.*

77. *Id.*

78. *Id.*

79. *Id.*

80. *Id.* at 1323. Baystate also successfully appealed the verdict of patent infringement. However, the scope of this case study is limited to Baystate's preemption claims on appeal.

81. While patent issues are unique to the jurisdiction of the Federal Circuit, preemption issues are not. *Id.* at 1322. Accordingly, the Federal Circuit Court of Appeals applied the law of the circuit from which the appeal was taken to adjudicate the issue of preemption. *Id.* at 1322-23. The appeal was from the First Circuit Court of Appeals. *Id.* at 1322.

82. *Id.* at 1323.

83. *Id.* at 1325 (emphasis added).

A. EXPRESS PREEMPTION ANALYSIS UNDER 17 U.S.C. § 301

The Federal Circuit's preemption analysis started and ended under § 301(a) of the Copyright Act. Skipping the subject matter requirement under § 301, the court began its inquiry with the equivalency requirement by applying the "extra element" test. To apply this test, the court inquired as to whether the breach of contract claim contained an "extra element" sufficient to make it qualitatively different from the copyright claim.⁸⁴ If an extra element existed, the state cause of action would not be "equivalent to any of the exclusive rights within the general scope of copyright,"⁸⁵ and federal copyright law would not preempt the breach of contract claim.

1. *The Mutual Assent and Consideration Required by a Contract Claim Render that Claim Qualitatively Different from a Copyright Infringement Claim*

Following the rationale of *ProCD, Inc. v. Zeidenberg*⁸⁶ and *Data General Corp. v. Grumman Systems Support Corp.*,⁸⁷ the Federal Circuit found an additional element in the breach of contract claim sufficient to render the claim qualitatively different from a copyright infringement claim.⁸⁸ The court determined that the additional element distinguishing the state contract claim from a federal copyright claim was the mutual assent and consideration required by the contract claim.⁸⁹ This conclusion implies that a shrink-wrap license, an agreement "drafted unilaterally by the dominant party and then presented on a 'take-it-or-leave-it basis' to the weaker party,"⁹⁰ contains elements of both mutual assent and consideration. It also implies that states can permit parties to use shrink-wrap license agreements to contract away fair use defenses and other statutory rights.

B. A CRITIQUE OF EXPRESS PREEMPTION IN *BOWERS*

1. *Is a "Shrink-Wrap" License Agreement a Freely Negotiated Agreement?*

The holding in *Bowers* is hard to swallow because the court labeled the disputed license agreement as a "shrink-wrap" license agreement. Regardless of whether the court is correct in stating that the mutual assent and consideration found in a freely negotiated contract is sufficient for *Bowers* to avoid preemption under § 301, the application of this legal principle requires parties to have actually entered into a freely negotiated

84. *See id.*

85. 17 U.S.C. § 301(a) (2000).

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

87. 36 F.3d 1147 (1st Cir. 1994).

88. *Bowers*, 320 F.3d at 1325 (citing *ProCD, Inc.*, 86 F.3d at 1454).

89. *Id.*

90. *Vault Corp. v. Quaid Software Ltd.*, 655 F. Supp. 750, 760 (E.D. La. 1987) (quoting RESTATEMENT (SECOND) OF CONFLICT OF LAWS § 187 cmt. 6 (1971)).

agreement. In the present case, the license agreement in dispute is not a freely negotiated agreement.⁹¹ The license agreement is a shrink-wrap agreement, which, as *Vault* recognized, is generally "drafted unilaterally by the dominant party and then presented on a 'take-it-or-leave-it basis' to the weaker party."⁹² Where a party to a contract has no real opportunity to bargain about its terms, one cannot argue that mutual assent and consideration preclude preemption of the state law claim. As indicated in the *Bowers* dissent, only a freely negotiated agreement embodies the "extra element" that allows *Bowers* to avoid express statutory preemption under § 301.⁹³

2. *Should Courts Enforce the Contractual Waiver of Affirmative Defenses when the Contract is a "Shrink-Wrap" License Agreement?*

If courts conclude that mutual assent and consideration constitute an additional element precluding preemption, the implication is that a state can permit parties to contract away fair use defenses such as reverse engineering. Although the majority opinion in *Bowers* cites a First Circuit case supporting the contractual waiver of affirmative defenses and statutory rights, the authority cited is not factually similar to the present case.⁹⁴ In *United States v. Spector*, the First Circuit held that "a contractual waiver of the statute of limitations defense constitutes an 'effective waiver of defendant's rights under the statute of limitations' if the agreement were properly executed, and the 'waiver is made knowingly and voluntarily.'"⁹⁵ The precedential value of this case is questionable for two reasons. First, it is unclear whether a waiver of a statute of limitations defense is equivalent to a waiver of a fair use defense. Second, it is questionable whether waiver of a right to reverse engineer occurs knowingly and voluntarily when made through a shrink-wrap license agreement. A licensee is often unaware of the terms in the shrink-wrap license agreement when purchasing a product.

C. A CRITIQUE OF IMPLIED PREEMPTION IN *BOWERS*

Like the majority of cases addressing contract preemption in the context of copyright law, the Federal Circuit Court of Appeals failed to consider implied conflict preemption. Under implied conflict preemption, the contract would likely be preempted because it "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress."⁹⁶

91. Circuit Judge Dyk's dissent outlines a similar argument. See *Bowers*, 320 F.3d at 1336-37 (Dyk, J., dissenting).

92. See *Vault Corp. v. Quaid Software Ltd.*, 655 F. Supp. 750, 760 (E.D. La. 1987).

93. *Bowers*, 320 F.3d at 1336-37 (Dyk, J., dissenting).

94. *Id.* (citing *United States v. Spector*, 55 F.3d 22, 24-25 (1st Cir. 1995)).

95. *Id.* (quoting *Spector*, 55 F.3d at 24-25).

96. *Hillsborough County v. Automated Med. Labs., Inc.*, 471 U.S. 707, 713 (1985) (quoting *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941)).

1. *Allowing a State to Eliminate Reverse Engineering as a Fair use Defense Precludes the Accomplishment and Execution of the Full Purposes and Objectives of Congress*

a. *Reverse Engineering Constitutes a Fair Use Under the Copyright Act*

In *Atari Games Corp. v. Nintendo of America, Inc.*, the Federal Circuit held that reverse engineering constitutes a fair use under the Copyright Act.⁹⁷ The Ninth and Eleventh Circuits also hold that reverse engineering constitutes fair use,⁹⁸ and no other federal court of appeals has disagreed.⁹⁹ Courts have consistently recognized reverse engineering as a fair use defense because “a prohibition on all copying whatsoever would stifle the free flow of ideas without serving any legitimate interest of the copyright holder.”¹⁰⁰ Thus, a complete prohibition on copying is undesirable because instead of promoting the progress of science, it would only serve as an obstacle to the progress of science.

b. *A Reverse Engineering Fair Use Defense Meets the Objectives of Congress by Promoting the Progress of Science and the Useful Arts*

Congress is constitutionally committed “[t]o promot[ing] the [p]rogress of [s]cience and useful [a]rts.”¹⁰¹ Reverse engineering as a fair use defense advances this congressional objective by allowing public access to what is otherwise unprotectable material. More specifically, reverse engineering allows the public to access the ideas and facts in a copyrightable work that Congress has declared to be free to all under the Copyright Act.

c. *Elimination of a Reverse Engineering Fair Use Defense Obstructs the Promotion of Science and the Useful Arts*

If a state is allowed to enforce contractual agreements eliminating the fair use defense of reverse engineering, a copyright holder, through state law, will be able to protect material that Congress intended to hold unprotectable.¹⁰² Extending a copyright holder the ability to protect facts and ideas precludes the flow of such information, impeding rather than promoting science and the useful arts. Therefore, any contract implementing a provision prohibiting reverse engineering should be pre-

97. 975 F.2d 832, 843 (Fed. Cir. 1992).

98. *Bowers*, 320 F.3d at 1336 (Dyk, J., dissenting) (citing *Bateman v. Mnemonics, Inc.*, 79 F.3d 1532, 1539 n.18 (11th Cir. 1996), and *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1527-28 (9th Cir. 1992)).

99. *Id.* (Dyk, J., dissenting).

100. *Atari*, 975 F.2d at 843.

101. U.S. CONST., art. I, § 8, cl. 8.

102. See *Bowers*, 320 F.3d at 1336 (Dyk, J., dissenting) (citing *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 157 (1989)).

empted, because it stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.

D. ANOTHER CRITIQUE: *BOWERS MISINTERPRETS VAULT CORP. v. QUAID SOFTWARE LTD.*

In *Bowers*, the Federal Circuit declined to follow the Fifth Circuit's rationale in *Vault Corp. v. Quaid Software Ltd.*¹⁰³ The majority narrowly construes *Vault*, reading it to stand for the proposition that "a state law prohibiting all copying of a computer program is preempted by the Federal Copyright Act."¹⁰⁴ Accordingly, the Federal Circuit quickly dismisses *Vault*, stating that "no evidence suggests the First Circuit would extend this concept to include private contractual agreements supported by mutual assent and consideration."¹⁰⁵

The court's dismissal of *Vault* is troubling for two reasons. First and foremost, the majority misunderstood the holding in *Vault* when it limited the preemptive strike to state laws prohibiting *all* copying.¹⁰⁶ While *Vault* does indeed propose preemption of state laws prohibiting all computer program copying, it further proposes preemption of state laws enforcing or authorizing contractual restraints against reverse engineering.¹⁰⁷ Because *Vault* treats both prohibitions against copying and constraints on reverse engineering equally, the court further erred when it used the difference between a state law and a private contract to distinguish *Vault*. Regardless of whether such a distinction is sufficient for other areas of law, the express preemption clause of the Copyright Act states that it preempts "any such right or equivalent right . . . under the *common law or statutes* of any State."¹⁰⁸ Therefore, the proper conclusion, as indicated by Judge Dyk in dissent, is that in the context of copyright preemption, there is no distinction between a state law validating a contract that prohibits reverse engineering and general common law that permits such a restriction.¹⁰⁹

V. THE JURISDICTIONAL IMPLICATIONS OF ENFORCING CONTRACTUAL PROVISIONS PROHIBITING REVERSE ENGINEERING

If courts continue to distinguish state contract claims as qualitatively different from federal copyright claims, the judicial system will encourage plaintiffs to cast their federal copyright claims entirely as state contract claims so as to avoid the federal jurisdiction tied to claims arising under the Copyright Act. Encouraging such behavior is ill advised. Courts that

103. *Bowers*, 320 F.3d at 1325.

104. *Id.*

105. *Id.*

106. *See id.* at 1337 (Dyk, J., dissenting).

107. *See Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 269-70 (5th Cir. 1988).

108. 17 U.S.C. § 301(a) (2000) (emphasis added).

109. *Bowers*, 320 F.3d at 1337 (Dyk, J., dissenting).

distinguish state contract claims not only suggest that both states and plaintiffs are free to set the substantive requirements of copyright law at naught, but also promote forum shopping among states for the contract law most favorable to a plaintiff's case. Whether courts will allow plaintiffs to cast their federal copyright claims solely as state contract claims depends on how the courts will interpret various doctrines of pleading. This paper proposes that plaintiffs, as the masters of their complaints, will likely be allowed to plead their complaints exclusively under state law. Furthermore, this paper proposes that defendants will likely be unable to remove these cases to federal court.

A. FEDERAL QUESTION JURISDICTION AND THE COPYRIGHT ACT

1. *The "Well Pledged Complaint Rule" Suggests Plaintiffs can Solely Rely on State Claims*

The "well pleaded complaint rule" governs the issue of federal question jurisdiction.¹¹⁰ It provides that a cause of action exists under federal law when a well pleaded complaint presents issues of federal law.¹¹¹ Pursuant to § 1338(a) of Title 28 of the United States Code, an issue of federal law is present when a plaintiff pleads a cause of action arising under the Copyright Act.¹¹² Therefore, the well pleaded complaint doctrine suggests that if plaintiff, as the master of his complaint, elects to exclusively rely on state law rather than copyright claims, he or she will avoid federal question jurisdiction.¹¹³

2. *Absent Complete Preemption, a Case Cannot be Removed to Federal Court on the Basis of a Federal Preemption Defense*

Federal preemption is generally raised as a defense to a plaintiff's allegations. In the context of a contract dispute relating to copyrightable software, federal preemption is usually raised as a defense to a breach of contract claim. Prior to 1887, this federal defense provided proper grounds for removing a case from state to federal court.¹¹⁴ In 1887, however, Congress amended the removal statute to authorize removal only where the original cause of action could have been filed in federal court.¹¹⁵ Pursuant to this congressional amendment, the Supreme Court

110. *Caterpillar, Inc. v. Williams*, 482 U.S. 386, 392 (1987).

111. *Metro Life Ins. Co. v. Taylor*, 481 U.S. 58, 63 (1987); *Caterpillar*, 482 U.S. at 392.

112. Federal district courts have original and exclusive jurisdiction over "any civil action arising under any Act of Congress relating to" copyrights. 28 U.S.C. § 1338(a) (2000). Although the language of § 1338(a) strongly suggests that the Federal Courts have exclusive jurisdiction over copyright claims, cases have demonstrated that some copyright disputes do not "arise" under the Copyright Act for jurisdictional purposes. See *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 825 (2d Cir. 1964) (providing a three part test for federal jurisdictional analysis of copyright claims).

113. *Caterpillar*, 482 U.S. at 392 n.7 (citing *Merrell Dow Pharm., Inc. v. Thompson*, 478 U.S. 804, 809 n.6 (1986) ("Jurisdiction may not be sustained on a theory that the plaintiff has not advanced.")).

114. See *Caterpillar*, 482 U.S. at 392.

115. 28 U.S.C. § 1441 (2000); *Caterpillar*, 482 U.S. at 392-93.

has held that a federal preemption defense is insufficient grounds for removal to federal court.¹¹⁶ This rule of law holds true, the Supreme Court stated, "even if the [preemption] defense is anticipated in the plaintiff's complaint, and even if both parties concede that the federal [preemption] defense is the only question truly at issue."¹¹⁷ Thus, a defendant named in a breach of contract suit in state court cannot solely rely on a claim of federal copyright preemption to remove the case to federal court.

3. *A Claim Purportedly Based on a Preempted State Law, However, is Considered a Federal Claim Arising under Federal Law*

As an "independent corollary" to the well pleaded complaint rule, courts have recognized a doctrine of "complete preemption."¹¹⁸ The doctrine of complete preemption provides that "[o]nce an area of state law has been *completely* preempted, any claim purportedly based on that preempted state law is considered, from its inception, a federal claim, and therefore arises under federal law."¹¹⁹ Thus, the proper inquiry in the context of a contract-copyright dispute is whether the complete preemption doctrine would read a state claim for breach of contract as a federal copyright claim for the purposes of the well pleaded complaint rule.

4. *If a Defendant Relies on a Federal Preemption Defense under the Copyright Act, it is Unlikely that the Complete Preemption Doctrine will Allow the Defendant to Remove the Case to Federal Court*

A defendant bears the heavy burden of convincing a court to utilize the complete preemption doctrine to convert an ordinary state claim for breach of contract to a federal copyright claim for purposes of the well pleaded complaint rule. To convince a court that complete preemption applies, a defendant would likely have to prove that the preemptive force of copyright law is "so powerful as to displace entirely any state cause of action for violation of contracts" between the copyright holder and software purchaser.¹²⁰

116. *Caterpillar*, 482 U.S. at 393 (citing *Franchise Tax Bd. of Cal. v. Constr. Laborers Vacation Trust for S. Cal.*, 463 U.S. 1, 12 (1983)).

117. *Id.* at 393 (citing *Franchise Tax Bd.*, 463 U.S. at 12).

118. *Id.* (citing *Franchise Tax Bd.*, 463 U.S. at 22).

119. *Id.* (emphasis added); see also *Franchise Tax Bd.*, 463 U.S. at 24 ("[I]f a federal cause of action completely preempts a state cause of action, any complaint that comes within the scope of the federal cause of action necessarily 'arises under' federal law."); *Metro Life Ins. Co. v. Taylor*, 481 U.S. 58, 65 (1987) (recognizing that if the "preemptive force of a statute is so extraordinary," it "converts an ordinary state common law complaint into one stating a federal claim for purposes of the well pleaded complaint rule").

120. See *Caterpillar*, 482 U.S. at 394 (citing *Franchise Tax Bd.*, 463 U.S. at 23). Although the Supreme Court speaks of an "artful pleading" doctrine, which provides that "a plaintiff may not defeat removal by omitting to plead necessary federal questions in a complaint," the Court limits the practical application of such a doctrine by restricting its use to decisions in which the preemptive force is extraordinarily powerful. See *Franchise Tax Bd.*, 463 U.S. at 22-24.

In light of the current body of jurisprudence surrounding copyright-contract disputes, no reasonable court would conclude that copyright law is powerful enough to preempt any state cause of action for violation of a contract. Not only do the majority of courts adjudicating software contract disputes uniformly hold that the specific contract at issue is not preempted by the Copyright Act, but the Supreme Court has stated that “courts usually read preemption clauses to leave private contracts unaffected.”¹²¹ Even if “complete preemption” were construed more narrowly to confer removal to federal court when only the current state cause of action is preempted, the doctrine still provides no jurisdictional remedy for a defendant in almost all copyright-contract disputes. Therefore, if a defendant relies on a claim of federal copyright preemption, it is unlikely that the complete preemption doctrine will allow the defendant to remove the case to federal court.

VI. CONCLUSION

While courts are correct to place some emphasis on a party’s freedom to contract, the majority of courts fail to recognize that a party’s contracting rights are far from invincible.¹²² Although most courts adjudicating software contract disputes uniformly hold that the specific contract at issue is not preempted by the Copyright Act, no court has held that *all* contracts relating to copyrightable goods are outside the preemption clause.¹²³ On the contrary, courts have recognized that the “law of contract could interfere with the attainment of national objectives and therefore come within the domain of the [Copyright Act].”¹²⁴

If courts continue to ignore implied preemption to enforce contractual provisions that prohibit reverse engineering, the legal system will allow plaintiffs seeking copyright infringement damages to contract around the Copyright Act as if it were a default rule. Rather than seeking protection under the Copyright Act, parties will instead attempt to enforce their

121. *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1454 (7th Cir. 1996) (citing *Am. Airlines, Inc. v. Wolens*, 513 U.S. 219 (1995)); see also *Bowers v. Baystate Technologies, Inc.*, 320 F.3d 1317, 1323 (“Courts respect freedom of contract and do not lightly set aside freely entered agreements.”).

122. *Brulotte v. Thys Co.* is a Supreme Court case that demonstrates how vulnerable a party’s freedom to contract is. 379 U.S. 29 (1964). In that case, the Court held that a party may not use contracts to extend the maximum federal term for a patent. *Brulotte* proves first hand that freedom to contract in the intellectual property arena yields to federal law.

123. See generally *Bowers*, 320 F.3d at 1323-24 (stating that, at times, “federal regulation may preempt private contract”); *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446 (6th Cir. 2001) (following *ProCD, Inc.*, stating that “preemption should continue to strike down claims that, though denominated ‘contract,’ nonetheless complain directly about the reproduction of expressive materials” (quoting 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 101[B][1][a] (1999)); *ProCD, Inc.*, 86 F.3d at 1455 (7th Cir. 1996) (“[W]e think it prudent to refrain from adopting a rule that anything with the label contract is necessarily outside the preemption clause.”)); see also *Nat’l Car Rental Sys. Inc., v. Computer Assocs. Int’l Inc.*, 991 F.2d 426, 432 (8th Cir. 1993) (cautioning that a contractual restriction could impermissibly “protect rights equivalent to the exclusive copyright rights”).

124. *ProCD, Inc.*, 83 F.3d at 1455 (citing *Nat’l Car Rental*, 991 F.2d 426 (8th Cir. 1993)).

rights through contract law. Thus, courts will encounter cases in which plaintiffs plead their federal copyright claims entirely as state claims in order to avoid federal jurisdiction. Plaintiffs will not only be able to escape federal jurisdiction by pleading purely state claims, but will also likely become engaged in state-wide forum shopping for the contract law most favorable to their case. Courts should not promote state-wide jurisdictional forum shopping for a federal cause of action in which national uniformity is a primary legislative concern. If courts can learn to swing the "preemptive hammer" correctly, courts will likely eliminate the jurisdictional windfall to plaintiffs that current precedent enforces.