

NOTES

COPYRIGHT PREEMPTION: EFFECTING THE ANALYSIS PRESCRIBED BY SECTION 301

One of the major innovations of the Copyright Revision Act of 1976¹ was its codification of the principles of copyright preemption.² To alleviate the confusion regarding preemption analysis³ that had resulted in inconsistent doctrines,⁴ Congress attempted a fundamental and significant change in existing copyright law.⁵ It purported to state the preemption principles "in the clearest and most unequivocal language possible, so as to foreclose any conceivable misinterpretation of the unqualified intention . . . [to] act preemptively, and to avoid the development of any vague borderline areas between state and federal protection."⁶ The preemption section of the Copyright Revision Act, hereinafter referred to as section 301,⁷ was designed to achieve Congress' goal of establishing a uniform preemption analysis that would produce clear and consistent results.⁸ Section 301 replaced a dual system of federal and state

¹ Copyright Revision Act, Pub. L. No. 94-553, § 101, 90 Stat. 2541 (1976) (currently codified at 17 U.S.C. §§ 101-810 (1976 & Supp. V. 1981)).

² As one court observed, the law of preemption prior to the enactment of the Copyright Revision Act "was in a state of disarray." *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672, 683 n.11 (S.D.N.Y. 1979). Preemption of state law was especially troublesome prior to the 1976 Act due in large part to the dual system of copyright protection then in existence. *Meltzer v. Zoller*, 520 F. Supp. 847, 853 (D.N.J. 1981). See *infra* note 7 and accompanying text.

³ Congress has the power to place interpretive sections within statutes. "Definitions and interpretational directives are used to resolve doubts about the meaning or application of naturally ambiguous language in the text of a law." 1A J. SUTHERLAND, STATUTES AND STATUTORY CONSTRUCTION (4th Ed. D. Sands, 1973) [hereinafter cited as SANDS].

⁴ See *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672, 683 n.11 (S.D.N.Y. 1979) (court describing specific interpretive difficulties present before enactment of section 301).

⁵ H.R. REP. NO. 1476, 94th Cong., 2d Sess. 129, reprinted in 1976 U.S. CODE CONG. & AD. NEWS 5659, 5745 [hereinafter cited as H.R. REP. 1476].

⁶ *Id.* at 130, 1976 U.S. CODE CONG. & AD. NEWS at 5746.

⁷ 17 U.S.C. § 301 (1976).

⁸ Section 301 provides:

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

(b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to —

(1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, including works of authorship not fixed in any tangible medium of expression; or

(2) any cause of action arising from undertakings commenced before January 1, 1978; or

regulation that had depended entirely upon shifting judicial perceptions of the permissibility of state legislation encroaching upon the federal scheme of statutory copyright protection.⁹

Prior to the 1976 Act, copyright preemption was based on judicial interpretations¹⁰ of the range and effect of the copyright¹¹ and supremacy¹² clauses of the United States Constitution. Pursuant to the authority granted by the copyright clause, Congress had enacted statutes¹³ which gave authors of

(3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106.

(c) With respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until February 15, 2047. The preemptive provisions of subsection (a) shall apply to any such rights and remedies pertaining to any cause of action arising from undertakings commenced on and after February 15, 2047. Notwithstanding the provisions of section 303, no sound recording fixed before February 15, 1972, shall be subject to copyright under this title before, on, or after February 15, 2047.

(d) Nothing in this title annuls or limits any rights or remedies under any other Federal statute.

17 U.S.C. § 301 (1976). See H.R. REP. 1476, *supra* note 5, at 129, 1976 U.S. CODE CONG. & AD. NEWS at 5745-46.

⁹ As one federal district court noted:

Under this [pre-section 301] dual system, unpublished works enjoyed perpetual copyright protection under state common law, while published works were copyrightable under the prevailing federal statute. The new Act was intended to accomplish 'a fundamental and significant change in the present law by adopting a single system of federal statutory copyright. . . [to replace the] anachronistic, uncertain, impractical, and highly complicated dual system.'

Meltzer v. Zoller, 520 F. Supp. 847, 853 (D.N.J. 1981) (citing H.R. REP. 1476, *supra* note 5, at 129-30, 1976 U.S. CODE CONG. & AD. NEWS at 5745). See Russell v. Price, 612 F.2d 1123, 1129 n.17 (9th Cir.), *cert. denied*, 444 U.S. 869, 871 (1979) (common law copyright no longer recognized under section 301); Burke v. National Broadcasting Co., 598 F.2d 688, 691 n.2 (1st Cir.) (common law copyright replaced by section 301), *cert. denied*, 444 U.S. 869 (1979); Strout Realty v. County 22 Real Estate Corp., 493 F. Supp. 997, 999 (W.D. Mo. 1980) (common law copyright no longer recognized under section 301).

Section 301 clearly sets out the congressional goal of a unified national system of copyright protection. Prior to its enactment, uniformity in copyright was a goal mentioned in the Constitution and in FEDERALIST 43, but not expressly a part of the federal statute. See generally, Diamond, *Preemption of State Law*, 25 BULL. COPYRIGHT SOC'Y 204 (1977-78) [hereinafter cited as Diamond], for a brief summary of the preemption section and its place in the scheme of copyright protection.

¹⁰ See, e.g., *Sears, Roebuck, & Co. v. Stiffel Company*, 376 U.S. 225, 228-31 (1964); *Sperry v. Florida*, 373 U.S. 379, 385 (1963).

¹¹ U.S. CONST. art. I, § 8, cl. 8. The copyright clause in article I confers upon Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and discoveries." *Id.*

¹² *Id.* at art. VI, § 4, cl. 2 ("this Constitution, and the Laws of the United States which shall be made in Pursuance thereof . . . shall be the supreme Law of the Land. . .").

¹³ In 1790, the first Congress enacted the first laws governing copyright in the United

original works actionable rights of monopolistic control, collectively defined as rights of copyright.¹⁴ The purpose of the federal legislation was to ensure the attainment of the primary constitutional goals respecting copyright, namely to advance the public welfare through the talents of authors and inventors in the sciences and useful arts.¹⁵ In combination with the supremacy clause, these federal copyright statutes served to restrict the states' power to grant comparable rights or pass laws impinging federally created rights of copyright.¹⁶ In the years preceding the 1976 Act, however, courts were required to answer, with minimal guidance from the Supreme Court, the difficult question of the degree of interference with federal law necessary for the preemption of a state

States. Act of May 31, 1790, ch. 15, 1 Stat. 118 (1790). The 1790 statute governed only maps, charts, and books. *Id.* In 1802, Congress amended the copyright laws to include engravings, etchings, and prints. Act of Apr. 29, 1802, ch. 36, 2 Stat. 171 (1802). Congress included musical compositions within the copyright protection in 1831. Act of Feb. 3, 1831, ch. 16, 4 Stat. 374 (1831). Photographs and photographic negatives were added in 1865. Act of Mar. 3, 1865, ch. 126, 13 Stat. 540. In 1870, Congress extended the protection to paintings, drawings, statuettes, statuary and models and designs of fine art. Act of July 8, 1870, ch. 230, 16 Stat. 198 (1870). In 1909, Congress consolidated and amended all federal copyright statutes. Act of Mar. 4, 1909, ch. 320, 35 Stat. 1075 (1909). This 1909 Act listed 11 categories of protected works. *Id.* In 1912, Congress again expanded copyright protection to include motion pictures. Act of Aug. 24, 1912, 37 Stat. 488 (1912). In 1971, sound recordings were included under the statutory umbrella. Act of Oct. 15, 1971, Pub. L. No. 92-140, § 101, 85 Stat. 391 (currently codified at 17 U.S.C. § 102 (1976 & Supp. V 1981)). The technological advances made in the techniques for capturing and communicating (required for copyright protection) printed matter, visual images, and recorded sounds had, through the years, necessitated changes in the laws. *Goldstein v. California*, 412 U.S. 546, 562 n.17 (1973), *reh. denied*, 414 U.S. 883 (1974). The Copyright Revision Act, as well as taking into account these advances, codified the preemption principles that had heretofore been exclusively embodied in caselaw. H.R. REP. 1476, *supra* note 5, at 129, 1976 U.S. CODE CONG. & AD. NEWS at 5745. The dual system of state and federal copyright protection was replaced by a single federal system. *Id.* For further discussion of the legislative action preceding the enactment of the 1976 Act, *see id.* at 60-64, 1976 U.S. CODE CONG. & AD. NEWS at 5660-63.

¹⁴ Act of May 31, 1790, ch. 15, 1 Stat. 118, 121 (1790).

¹⁵ *Mazer v. Stein*, 347 U.S. 201, 219, *reh. denied*, 347 U.S. 949 (1954).

¹⁶ By force of the supremacy clause, a federal statute preempts — displaces — a state statute when the state statute interferes with the federal statute. *See, e.g., Sperry v. Florida*, 373 U.S. 379, 385 (1963) (state bar may not restrict federal right of nonlawyer to practice patent law); *Rice v. Santa Fe Elevator Corp.*, 331 U.S. 218, 235-36 (1947) (warehouses licensed under federal authority need not license competing state scheme of licensing); *Moran v. New Orleans*, 112 U.S. 69, 73-75 (1884) (state may not impose additional conditions on federal privileges); *Sinnott v. Davenport*, 63 U.S. (22 How.) 227, 243 (1859) (state may not prescribe regulations that are repugnant to and inconsistent with the regulation of Congress); *Gibbons v. Ogden*, 22 U.S. (9 Wheat.) 1, 239 (1824) (state may not establish policies or statutes that conflict with federal policies). *See also Perez v. Campbell*, 402 U.S. 637, 649 (1971) "Our function is to determine whether a challenged state statute 'stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.'" *Id.* (quoting *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941)). *See generally* R. LEFLAR, *AMERICAN CONFLICTS LAW* 149 (1968) ("Areas in which Congress may supersede state substantive law, confer . . . or take jurisdiction away from state courts . . . can be discovered in the Constitution and in Supreme Court decisions which sustain federal statutes"); Note, *The California Resale Royalties Act as a Test Case for Preemption Under the 1976 Copyright Law*, 81 COLUM. L. REV. 1315, 1320 (1980) [hereinafter cited as Note, *Resale Royalties*]; 2 SANDS, *supra* note 3, at ch. 36.08.

statute.¹⁷ Moreover, the problem of "presumption"¹⁸ arose in the form of two conflicting doctrines.¹⁹ Under a "federal" presumption, courts required a minimal amount of interference with the federal statute to preempt the state law.²⁰ In effect, once a court found any significant conflict between the state and federal statutes, the court "presumed" that the state statute was preempted. Only those state statutes not interfering at all with the full purpose and objectives of Congress were allowed under such federal presumption analysis.²¹ In contrast, under a "state" presumption, a state statute was permitted unless it severely restricted federally granted rights. Thus some interference with the federal statute was tolerated without preemptive effect.²² Against this backdrop of judicial confusion over the degree of interference necessary and the correct presumption to be employed in copyright preemption cases, Congress enacted the preemption section in the 1976 Copyright Revision Act to clarify its intention to impose uniformity in copyright regulation.²³

¹⁷ As noted by one commentator, the degree of permissible interference has been a recurring problem. J. NOWAK, CONSTITUTIONAL LAW 267-68 (1978).

The Court formulated analytical standards for preemption decisions . . . but while the touchstones involved by the Court can be delineated succinctly, there is no simplistic constitutional standard for defining preemption parameters. . . . As Justice Black cautioned in *Hines*: "But none of these expressions provides an infallible constitutional test or an exclusive Constitutional yardstick. In the final analysis, there can be no one crystal clear distinctly marked formula."

Id. (citing *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941)). The difficulty of uniform or generalized analysis of the preemption doctrine arises because of the diversity and complexity of preemption problems in copyright as well as other areas.

¹⁸ Presumption here refers to an inference taken by a court that a given state law is, without additional militating circumstances, either consistent or inconsistent with a related federal law. See BLACK'S LAW DICTIONARY 1067-68 (5th ed. 1979). See also *infra* notes 56-230 and accompanying text.

¹⁹ See *Jacobs v. Robitaille*, 406 F. Supp. 1145, 1152 (D.N.H. 1976) (court recognizing competing preemption doctrines, but favoring a more restricted reading). Although courts have not spoken precisely of a "presumption," they have employed standards necessarily entailing either a state or a federal bias. See, e.g., *Goldstein v. California*, 412 U.S. 546, 552 (1973) (state bias: preemption only when state law necessarily conflicts with federal law); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 228-29 (1964) (federal bias: state law cannot set federal policy at naught or deny its benefits). Courts have frequently reached differing conclusions in copyright preemption cases involving similar fact patterns. The varying conclusions have been in part due to a court's state or federal presumption, a necessary element of preemption analysis. See *Morseburg v. Balyon*, 621 F.2d 972, 976 (9th Cir. 1980); Goldstein, *Preempted State Doctrines, Involuntary Transfers and Compulsory Licenses: Testing the Limits of Copyright*, 24 U.C.L.A. L. REV. 1107, 1124 (1977) [hereinafter cited as Goldstein, *Preempted State Doctrines*].

²⁰ See, e.g., *Amalgamated Ass'n of Street Elec. Ry. & Motor Coach Employees v. Wisconsin Employment Relations Bd.* 340 U.S. 383, 399 (1952) (state may not require compulsory arbitration if to do so would infringe right to strike); *Rice v. Akron, Canton, and Youngstown R.R.*, 342 U.S. 359, 363 (1951) (state rule of procedure can't divest litigant of federal right to trial). See also Brown, *Unification: A Cheerful Requiem for Common Law Copyright*, 24 U.C.L.A. L. REV. 1070, 1090 (1977) [hereinafter cited as Brown, *Unification*].

²¹ See *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964) (state law may not set federal policy at naught or deny its benefits).

²² *Goldstein v. California*, 412 U.S. 546, 554-55 (1973) (state statute permitted unless it necessarily conflicted with federal law).

²³ H.R. REP. 1476, *supra* note 5, at 129, 1976 U.S. CODE CONG. & AD. NEWS at 5745.

Unfortunately, contrary to the legislative intention, the language of section 301 precludes neither misinterpretations by, nor inconsistent results among the courts.²⁴ Moreover, the changes introduced by section 301 were not so significant as to displace entirely the problems extant in the pre-Revision Act years.²⁵ Section 301 fails to identify explicitly the presumption — federal or state — courts should use.²⁶ Consequently, the degree of interference required to trigger preemption is likewise left unresolved.²⁷ Instead, section 301 merely prescribes a two-step preemption analysis.²⁸ The first step requires a determination of whether the rights created by the state law are “equivalent” to any of “those exclusive rights within the general scope of copyright [protection].”²⁹ The second step requires that the rights created by the state statute be applied to works of authorship “within the subject matter of copyright.”³⁰ The primary difficulties with this statutory analysis spring from the definitional problems inherent in the phrase “whether the rights . . . are equivalent” [hereinafter termed “equivalent rights”].³¹ Since the federal statute fails to define equivalency,³² each court applying the statutory analysis must determine for itself the extent to which state and federal rights may differ and still be

²⁴ See M. NIMMER, NIMMER ON COPYRIGHT § 1.01[B], 1-8 (1980) [hereinafter cited as NIMMER]; Goldstein, *Preempted State Doctrines*, *supra* note 19, at 1110.

²⁵ See *supra* note 24.

²⁶ *Id.* See generally Brown, *Unification*, *supra* note 19, at 1105-06. But see Goldstein, *Preempted State Doctrines*, *supra* note 19, at 1122-23 (arguing for the retention of a state presumptive analysis).

²⁷ See Brown, *Unification*, *supra* note 19, at 1099-1106. See also *infra* notes 195-209 and accompanying text.

²⁸ 17 U.S.C. § 301(a) (1976). For text of § 301 see *supra* note 8.

²⁹ The “exclusive rights within the general scope of copyright” are set out in section 106, which provides:

Subject to sections 107 through 118, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly.

17 U.S.C. § 106 (1976).

³⁰ *Id.* “Subject matter of copyright” is defined by 17 U.S.C. §§ 102 and 103. Section 102(a) lists those original works of authorship protected by copyright, and § 102(b) lists those works of authorship that are not protected. 17 U.S.C. § 102(a), (b). Section 103 clarifies the protection extended to compilations and derivative works. For text of 17 U.S.C. §§ 102 and 103, see *infra* note 154.

³¹ *Id.* See *infra* notes 157-216 and accompanying text.

³² 17 U.S.C. § 101 (1976), the definition section, lists no explanation of the term “equivalency.”

essentially "equivalent."³³ Furthermore, under section 301, courts still must interpret the effect of the parameters suggested by the preemption section.³⁴

³³ Courts have attempted to distinguish between "equivalent rights" (preempted) and "non-equivalent rights" (not preempted) with varying degrees of success. *See, e.g.,* *Durham Indus. Inc. v. Tomy Corp.*, 630 F.2d 905, 918-19 (2d Cir. 1980) (unfair competition claim based on an equivalent right preempted); *Schuchart & Assocs. Inc. v. Solo Serve Corp.*, 540 F. Supp. 928, 942-48 (N.D. Tex. 1982) (state law of unjust enrichment does not conflict with federal rights); *IPEC, Inc. v. Magenta Films, Ltd.*, No. 81-3341 slip op. (S.D.N.Y. Apr. 24, 1982) (misappropriation law not equivalent); *Warrington Associates, Inc. v. Real-Time Eng'g Sys.*, 522 F. Supp. 367, 368-69 (N.D. Ill. 1981) (state misappropriation laws not incompatible with federal copyright laws); *Associated Film Distrib. Corp. v. Thornburgh*, 520 F. Supp. 971, 992-94 (E.D. Pa. 1981) (regulation of distribution rights does not create equivalent rights), *rev'd and remanded*, 683 F.2d 808, 817 (3rd Cir. 1982); *Meltzer v. Zoller*, 520 F. Supp. 847, 853-55 (D.N.J. 1981) (common law rights preempted and thus "equivalency" question never reached); *Suid v. Newsweek Magazine*, 503 F. Supp. 146, 149 (D.D.C. 1980) ("extra element" — failure to receive permission to copy — insufficient to defeat preemption); *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 501 F. Supp. 848, 850-54 (S.D.N.Y. 1980) (state cause of action protected rights not "qualitatively different" from federal act, therefore preempted); *Allied Artists Pictures Corp. v. Rhodes*, 496 F. Supp. 408, 442-44 (S.D. Ohio 1980) (restricting right of distribution is not tantamount to establishing an equivalent right), *aff'd and remanded in part*, 679 F.2d 656, 665 (6th Cir. 1982); *Factors, Etc., Inc. v. Pro Arts, Inc.*, 496 F. Supp. 1090, 1096-1100 (S.D.N.Y. 1980) (descendable rights of publicity are not equivalent to copyright), *rev'd*, 652 F.2d 278 (2d Cir.), *cert. denied*, 102 S. Ct. 1973 (1981); *Strout Realty, Inc. v. Country 22 Real Estate Corp.*, 493 F. Supp. 997, 999-1000 (W.D. Mo. 1980) (§ 301(b)(2) affects only causes of action arising before Jan. 1, 1978 and thus no avoidance of preemption); *DC Comics, Inc. v. Filiation Assocs.*, 486 F. Supp. 1273, 1277-78 (S.D.N.Y. 1980) (state misappropriation law does not establish equivalent rights); *Avco Corp. v. Precision Air Parts, Inc.*, 210 U.S.P.Q. 894, 896-98 (M.D. Ala. 1980) (rights clearly equivalent to section 106 right, therefore preempted); *John H. Harland Co. v. Clarke Checks, Inc.*, 207 U.S.P.Q. 664, 667-68 (N.D. Ga. 1980) (state law does not protect equivalent rights, therefore not preempted); *Mitchell v. Penton/Indus. Publishing Co., Inc.*, 486 F. Supp. 22, 24-25 (N.D. Ohio 1979) (claim of "passing off" is not equivalent to right of copyright); *Bromhall v. Rorvik*, 478 F. Supp. 361, 366 (E.D. Pa. 1979) (state law can give no right of copyright in works of authorship not included in copyright protection); *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672, 683-84 (S.D.N.Y. 1979) ("extra element" of "intent to avoid payment" is sufficient to allow state law to survive preemption analysis).

³⁴ The term "parameters," for purposes of this note, refers to the sweep of the preemption policy. A broad preemptive sweep would define "equivalency" in its most liberal sense, effectively allowing preemption of all state laws that affect federal rights. A narrow reading of equivalency, on the other hand, would preempt only those state laws establishing rights identical to copyright. This would effectively allow states to create rights that varied only slightly from the federal rights of copyright. Clearly the proper intent of Congress lies somewhere between these extremes. Unfortunately, section 301 fails to indicate where the lines should be drawn. One need only look to some of the varying results derived from courts' application of § 301 to understand the problems inherent in the interpretation of that section. *Compare* *Mills Music, Inc. v. Arizona*, 591 F.2d 1278, 1284-85 (9th Cir. 1979) (state may neither abrogate nor diminish federally granted and protected rights of copyright holders) *with* *Warner Bros., Inc. v. Wilkinson*, 533 F. Supp. 105 (D. Utah 1981) (no copyright preemption question established) *and* *Associated Film Distributors v. Thornburgh*, 520 F. Supp. 971 (E.D. Pa. 1981) (restriction of federal right of distribution not sufficient to preempt) *and* *Allied Artists Pictures Corp. v. Rhodes*, 496 F. Supp. 408, 443-48 (S.D. Ohio 1980) (interference with federal right of distribution interferes with federal "scheme" of copyright protection). Interestingly, *Warner Bros.*, *Associated* and *Allied* all dealt with state blind bidding statutes and the conflicts created by those statutes with the federal right of distribution guaranteed by section 106 of the Copyright Act. In *Allied*, the district court

The lack of determinative legislative guidance in this interpretive role³⁵ has led to a lack of consistency in judicial decisions.³⁶ Section 301, therefore, not only fails to resolve sufficiently the problems of presumption and degree of interference that troubled courts prior to the 1976 Act, but also its ambiguity raises new problems concerning the interpretation of "equivalency" and the scope of federal copyright protection.

Two recent cases, *Allied Artists Pictures Corp. v. Rhodes*³⁷ and *Associated Film Distribution Corp. v. Thornburgh*,³⁸ perhaps best illustrate the inability of courts to formulate a workable, structurally uniform method of federal copyright preemption analysis that establishes consistent parameters, and consequently, consistent results. The state statutes³⁹ involved in *Allied* and *Associated* were factually similar.⁴⁰ Each regulated, and thereby limited, copyright owners' exclusive right of distribution,⁴¹ a right within the protection of the federal copyright statute.⁴² Given the comparable nature of the two statutes, the ap-

ultimately upheld the statute on a theory of fair state regulation. *Allied*, 496 F. Supp. at 448. In *Associated*, however, the court preempted the statute on the theory that it conflicted with the federal statutory scheme. *Associated*, 520 F. Supp. at 987-88. Finally, in *Warner* the court held that no copyright question existed, and therefore never applied section 301. *Warner* 533 F. Supp. at 108. The inconsistency among these three courts' conclusions is indicative of all courts' inability to apply the preemption section consistently to problems that clearly required uniform section 301 analysis.

³⁵ Through section 301, Congress meant to codify a preemption analysis that relied in part upon existing preemption analyses. See H.R. REP. 1476, *supra* note 5, at 131, 1976 U.S. CODE CONG. & AD. NEWS at 5747. It was meant to codify much of the prior analysis, while at the same time reinforcing important changes in the entire copyright system. See generally *id.*, at 130-33, 1976 U.S. CODE CONG. & AD. NEWS at 5745-49. At least one commentator has suggested that the uncertainty regarding the significance and effect of these changes has resulted in judicial confusion over the preemption analysis mandated by the Act. See Goldstein, *Preempted State Doctrines*, *supra* note 19, at 1110. Explicit indications of the congressional intent to assimilate existing preemption analysis into section 301 are present in legislative history, but fail to delineate the precise parameters of this codification. See H.R. REP. 1476, *supra* note 5, at 131, 1976 U.S. CODE CONG. & AD. NEWS at 5747. Courts have been forced to determine their own parameters, and this uncertainty has led to varying interpretations of the pervasive qualities of section 301. See Goldstein, *Preempted State Doctrines*, *supra* note 19, at 1112; see also cases cited *supra* note 33.

The need for judicial interpretation due to statutory ambiguities is not a new concept. "But, from the imperfection of language, it is impossible to know what the intention was without inquiring further. . . ." *River Wear Com'rs. v. Adamson*, LR 2 AC 743 (1877), cited in 2A SANDS, *supra* note 3, at 16. See H. HENN, COPYRIGHT PRIMER 34 (PLI 1979). The central problem for a court involved in statutory interpretation is to minimize the inherent subjective qualities of its analysis. See generally 2A SANDS, *supra* note 3, at Ch. 45.01-.15.

³⁶ See *supra* note 9.

³⁷ 496 F. Supp. 408 (S.D. Ohio 1980), *aff'd and remanded in part*, 679 F.2d 656, 665 (6th Cir. 1982).

³⁸ 520 F. Supp. 971 (E.D. Pa. 1981), *rev'd and remanded*, 683 F.2d 808, 817 (3d Cir. 1982) (summary judgment inappropriately granted).

³⁹ OHIO REV. CODE ANN. §§ 1333.05-.07 (Baldwin 1978); 73 PA. CONS. STAT. ANN. §§ 203-1 to 203-11 (Purdon 1980).

⁴⁰ For a discussion of these statutes, see *infra* notes 222-36 and accompanying text.

⁴¹ *Associated*, 520 F. Supp. 994; *Allied*, 496 F. Supp. at 447.

⁴² Although federal copyright law has never encompassed rights that must be free and

plication of section 301 presumably should have been similarly comparable. Consistent results, at least with regard to identical sections of the statutes, likewise might have been expected.⁴³ In their preemption analyses, however, the courts in *Allied* and *Associated* treated section 301 very differently.⁴⁴ In *Allied*, the court found that the rights created by the state statute were different from the federally granted rights, and thus the statute was not preempted.⁴⁵ The *Allied* court emphasized that the state-created rights, although perhaps more restrictive than the federal rights, did not interfere with the overall purpose of the copyright statute.⁴⁶ Conversely, in *Associated* the court preempted the state statute at issue, holding that the statute interfered with the national scheme of copyright protection.⁴⁷ The *Associated* court reasoned that the statute was an obstacle to the overriding objectives of federal copyright law.⁴⁸ The *Associated* court, however, made only a conclusory determination concerning the "equivalency" of the rights created by the state statute.⁴⁹

The dissimilar analyses and results of these two cases suggest that the language of section 301 has failed to establish a clear and unequivocal method of copyright preemption. In fact, these cases show that courts have been unable to fashion analyses that are at least similar in their approach and consistent in their results. Furthermore, the courts have not fully addressed an important question concerning whether state regulations that arguably limit an objective of Congress — albeit a "secondary" objective⁵⁰ — should be preempted. This is largely due to Congress' failure to define the parameters of preemption analysis. The parameters of analysis, and the extent of permissible interference with federal objectives, should be a question basic to any preemption

clear of all regulation, the states' limited rights to regulate federal rights of copyright, and the problems arising therefrom, are the very reason for section 301. H.R. REP. 1476, *supra* note 5, at 129, 1976 U.S. CODE CONG. & AD. NEWS at 5745. See also *Morseburg v. Balyon*, 621 F.2d 972, 977 (9th Cir. 1980), *cert. denied*, 449 U.S. 983 (1980). In fact the exclusive right of distribution is statutorily limited under federal copyright law by the rights of fair use, 17 U.S.C. § 107 (1976); the rights of reproduction granted libraries and archives, *id.* at § 108; a lawful copy owner's right to sell his copy, *id.* at § 109; and the right of the governmental bodies or nonprofit organizations to distribute one copy in described circumstances. *Id.* at § 112. In addition, the right of distribution for specific types of works are governed by the copyright statute. See *id.* at § 113(b) (exclusive rights in pictorial, graphic, and sculptural works are not greater or less than other protected works); *id.* at § 114(b) (sound recordings); *id.* at § 115(a) (compulsory license for making and distributing phonorecords); *id.* at § 117 (computers and similar information systems); *id.* at § 118 (use of works in connection with non-commercial broadcasting). See also *CURRENT DEVELOPMENTS IN COPYRIGHT LAW* 109 (PLI 1980).

⁴³ See generally 2A SANDS, *supra* note 3, at ch. 52.03 ("Similar statutes of other States").

⁴⁴ *Allied*, 496 F. Supp. at 443.

⁴⁵ *Id.* at 447-48.

⁴⁶ *Id.*

⁴⁷ *Associated*, 520 F. Supp. at 997-98.

⁴⁸ *Id.* at 993, 995-96.

⁴⁹ *Id.* at 994.

⁵⁰ For a discussion of the distinction between primary and secondary goals in the copyright context see *infra* notes 279-315 and accompanying text.

analysis.⁵¹ Statutes, often by necessity, have both primary and secondary objectives.⁵² Frequently the "secondary" objective is in fact the means to the more primary goal. A concern for both primary and secondary objectives would suggest a respect for the integrity of the federal scheme of copyright protection, and a recognition that Congress has determined what it considers to be the best method to achieve the primary goals. Thus, while an examination of a state statute's interference with the primary purpose of a federal statute is important, a preemption analysis should also consider the state statute's interference with the overall scheme of the federal statute, including any secondary purposes. The problems associated with interference and a definition of workable parameters of preemption analysis are to a large extent the source of the confusion surrounding section 301. Portions of the decisions in *Allied* and *Associated* did show concern with aspects of either the primary purpose or the integrity of the statutory scheme. The courts, however, failed to present a preemption analysis that considered the interference with the primary purpose of the federal statute, respected the integrity of the federal scheme of copyright protection, and assimilated section 301's requirement for preemption of "equivalent rights." Until courts are able to develop a preemption analysis that encompasses all three considerations, the goal of uniformity so central to section 301 will remain unattainable.

This note suggests that a preemption analysis could be devised to achieve these three prerequisites to uniformity in copyright law preemption. It does so by presenting a three-part discussion of the preemption of state legislation putatively impinging rights protected under federal copyright law. The first part of the note examines the preemption analysis extant prior to the enactment of the Copyright Revision Act of 1976.⁵³ A discussion of past preemption analysis provides the foundation for a clear understanding of the reasons behind the enactment of section 301 and the effects that Congress had hoped to achieve thereby. The note's second part treats the preemption analysis that currently exists under section 301.⁵⁴ The third and final part proposes a new approach to copyright preemption analysis.⁵⁵ Termed the "Basis Test," this new approach involves a four-step analysis which, it is submitted, would reconcile the important need for uniformity with a respect for each state's right to regulate its own marketplace.

⁵¹ Inherent in any discussion of parameters is the problem of presumption. A court's analysis is unavoidably affected by its determination of its policy preference concerning conflicts between state and federal laws. A court that favors minimizing hampering affects by state regulations of federal rights will be more inclined to preempt state laws than a court that favors maximizing state powers in areas already federally regulated. See Brown, *Unification*, *supra* note 21, at 1090-91. See *supra* note 19 and accompanying text.

⁵² See R. DICKERSON, *THE INTERPRETATION AND APPLICATION OF STATUTES* 89-90 (1975).

⁵³ See *infra* notes 57-141 and accompanying text.

⁵⁴ See *infra* notes 142-327 and accompanying text.

⁵⁵ See *infra* notes 328-379 and accompanying text.

I. PAST PREEMPTION ANALYSIS: SHIFTING JUDICIAL PRESUMPTIONS

Section 301 embodies a significant departure from traditional preemption analysis⁵⁶ which was dependent entirely upon judicial interpretations of the preemptive effects of the supremacy clause.⁵⁷ Nevertheless, because the congressional purpose in enacting section 301 was directly related to then-existing preemption problems,⁵⁸ section 301 must be considered in context with prior preemption analysis to understand and appreciate the changes it effected.⁵⁹ Traditional preemption analysis — the analysis applicable to copyright preemption prior to section 301 — required a finding of the hindrance of some federal statutory purpose before a state statute could be struck down.⁶⁰ Under this analysis, therefore, preemption was confined primarily to two situations. First, courts found preemption when Congress had clearly occupied the entire field in question,⁶¹ thereby excluding all state legislation.⁶² Second, courts deemed preempted any state statute which, although not automatically preempted by virtue of the presence of federal law, so conflicted with a federal statute as to obstruct the full purposes and objectives of Congress in enacting that statute.⁶³

In the years immediately preceding passage of the Copyright Revision Act of 1976, the Supreme Court in employing the traditional preemption analysis evidenced increasing reluctance to preempt state legislation in the absence of an express congressional intent to occupy the field.⁶⁴ Lower courts, recognizing

⁵⁶ Although the description of "traditional preemption analysis" is largely correct, it should be read with the knowledge that "with respect to preemption the Supreme Court's emphasis varies from time to time. At times the preemption doctrine has been applied with nationalistic fervor while during other periods with generous tolerance of state involvement in areas already to some extent the subject of national concern." *Morseburg v. Balyon*, 621 F.2d 972, 976 (9th Cir. 1980). See generally Patry, *Copyright and Community Property: The Question of Preemption*, 8 COM. PROP. J. 205, 216-17 (1981) [hereinafter cited as Patry, *Community Property*].

⁵⁷ H.R. REP. 1476, *supra* note 5, at 129, 1976 U.S. CODE CONG. & AD. NEWS at 5745.

⁵⁸ *Id.*

⁵⁹ *Id.* at 132, 1976 U.S. CODE CONG. & AD. NEWS at 5747.

⁶⁰ See, e.g., *Pike v. Bruce Church*, 397 U.S. 137, 146 (1970). See generally Hill, *The Law-Making Power of the Federal Courts: Constitutional Preemption*, 67 COLUM. L. REV. 1024, 1025 (1967).

⁶¹ See Note, *Resale Royalties*, *supra* note 16, at 1320.

⁶² Courts have found "occupation" via (1) an express indication to override state legislation, see, e.g., *Rice v. Santa Fe Elevator Corp.*, 331 U.S. 218, 230 (1947) or (2) an implicit indication of an intent to override state legislation. See Note, *Resale Royalties*, *supra* note 16, at 1320. An intent to override state legislation may be gleaned from three sources. First a pervasive scheme of federal regulation may indicate a congressional intent to occupy an area. E.g., *Cloverleaf Butter Co. v. Patterson*, 315 U.S. 148, 169 (1942). Second, a clear indication in legislative history that the legislation's purpose makes exclusive federal regulation essential may suffice. E.g., *Hines v. Davidowitz*, 312 U.S. 52, 63 (1941). Third, the existence of a dominant federal interest may preclude enforcement of state law. E.g., *Rice v. Santa Fe Elevator Corp.*, 331 U.S. at 230 (citing *Hines v. Davidowitz*, 312 U.S. 52, 63 (1941)).

⁶³ See, e.g., *Jones v. Rath Packing Co.*, 430 U.S. 519, 526 (state law may not interfere with full purposes and objectives of Congress), *reh'g denied*, 431 U.S. 925 (1977); *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941).

⁶⁴ As an example of this growing reluctance, the Court in *Goldstein v. California*, 412

the Supreme Court's reluctance to preempt, began to effect a state presumptive analysis by requiring a high degree of conflict between federal and state statutes before they would deem a statute preempted.⁶⁵ This state presumptive preemption doctrine in place immediately prior to the passage of the 1976 Copyright Revision Act was itself, however, preceded by a doctrine that was clearly "federally presumptive."⁶⁶ An examination of these two doctrines clarifies the goals and intended effects of section 301, and therefore is crucial to any intelligent application of the preemption section.

Under the federally presumptive preemption doctrine, derived from the Supreme Court's decisions in the companion cases *Sears, Roebuck & Co. v. Stiffel Co.*⁶⁷ and *Compco Corp. v. Day-Brite Lighting, Inc.*,⁶⁸ the free competition fostered by federal copyright law prevailed unless state regulation was clearly permitted.⁶⁹ In *Sears*, Sears, Roebuck & Co. marketed a lamp substantially identical to one patented by Stiffel Co.⁷⁰ Although the district court held that the patent was invalid for want of invention, the court went on to find that the degree of copying was substantial enough to violate an Illinois unfair competition law.⁷¹ The Court of Appeals affirmed.⁷² That court upheld the trial court's findings of likelihood of confusion and some actual confusion, findings which the appeals court construed to mean confusion "as to the source of the lamps."⁷³ The Court of Appeals thought this enough under Illinois law to sustain the trial

U.S. 546 (1973), permitted California to regulate against the piracy of recorded performances, reasoning that federal copyright law left recordings entirely unregulated. *Id.* at 571. The *Goldstein* Court took the view that, absent explicit and competent statutory command, states were free to regulate subject matter not expressly protected by federal copyright law. *Id.* at 570. *See infra* notes 102-41 and accompanying text.

⁶⁵ *See, e.g.*, *Sharon Steel Corp. v. Whaland*, 121 N.H. 607, 616, 433 A.2d 1250, 1256 (1981) (no preemption merely because state and federal laws regulate differently; preemption only when state law makes compliance with federal law impossible). *See generally* Note, *The Preemption Doctrine: Shifting Perspectives on Federalism and The Burger Court*, 75 COLUM. L. REV. 623, 624-26 (1975) [hereinafter cited as Note, *Shifting Perspectives*]; Brown, *Unification*, *supra* note 21, at 1091.

⁶⁶ The doctrines' highly interpretive qualities arise primarily out of the fact that the doctrines are based in case law. The term "presumption," although not generally used by the courts, serves to identify what policy preferences courts enunciate, either explicitly or by implication. *See* Brown, *Unification*, *supra* note 21, at 1090-91. Four cases best exemplify the varied policies held by the Supreme Court in recent years. *See* *Goldstein v. California*, 412 U.S. 546 (1973) (absent an explicit and competent statutory command, states are free to protect subject matter not protected by copyright); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974) (testing Ohio's trade secret law for preemption against standard of whether law would encourage neglect of federal patent scheme); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964) (preemption doctrine proscribes state measure that confers a degree of market control unavailable under federal law); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964) (decided with, and under the same theory as, *Sears*).

⁶⁷ 376 U.S. 225 (1964).

⁶⁸ 376 U.S. 234 (1964).

⁶⁹ *See id.* at 237.

⁷⁰ *Id.*

⁷¹ *See* *Sears*, 376 U.S. at 225-26.

⁷² *Sears, Roebuck & Co. v. Stiffel Co.*, 313 F.2d 115, 118 (1963).

⁷³ *Id.*

court's holding of unfair competition, and thus held Sears, Roebuck & Co. liable under Illinois law for doing no more than copying and marketing an unpatented article.⁷⁴ The question presented before the Supreme Court was whether a state's unfair competition law⁷⁵ could, consistent with the federal scheme of patent and copyright protection, prohibit the copying of an article which was not protected by federal patent or copyright.⁷⁶ The Supreme Court held that federal patent laws preempted the state law prohibiting copying.⁷⁷ The Court reasoned that the state law gave the equivalent of a patent monopoly on its unpatented work, and thereby interfered with the federal scheme of patent protection by restricting the free dissemination of works left in the public domain.⁷⁸

In *Compco*, the Court considered a comparable situation.⁷⁹ A manufacturer made and sold light fixtures substantially identical to fixtures protected by federal patent law.⁸⁰ Although the district court held the patent invalid, the court went on to find that the copying manufacturer had violated state unfair competition laws.⁸¹ At issue was whether the state law conflicted with the federal patent laws; the Supreme Court held that it did.⁸² The Court's reasoning was identical to that in *Sears*, with the additional clarification that whereas federal laws prevented states from prohibiting the copying and selling of unpatented articles, federal patent law did not preempt states from requiring manufacturers to identify their products as a method of preventing consumer deception.⁸³ The *Compco* Court also took pains to articulate the broad scope of its decisions in *Sears* and *Compco*:

⁷⁴ *Id.*

⁷⁵ To make out a case of unfair competition under the Illinois statute in *Sears*, no showing that a party had been representing its product as that of another was required. *Id.* at 227. Instead, the injured party had only to prove that there was a "likelihood of confusion as to the source of the products"—that the two articles were sufficiently identical—that customers may not have been able to distinguish them. *Id.* (quoting *Sears, Roebuck & Co. v. Stiffel Co.*, 313 F.2d 115, 118 n.7 (7th Cir. 1963)). "Unfair competition" thus differed from "misappropriation" which requires a showing that one party had been representing its patented or copyrighting object as another's. This difference may partly account for why in *Sears* and *Compco* unfair competition laws were struck down. See *Compco*, 376 U.S. at 238-39. Cf. *Flamingo Telefilm Sales, Inc. v. United Artists Corp.*, 141 U.S.P.Q. 461, 462 (N.Y. 1964) (misappropriation not preempted by *Sears/Compco* analysis).

⁷⁶ *Sears*, 376 U.S. at 227-28. The Court has made it clear that preemption analysis in patent cases is fully applicable to cases involving copyright. *Compco*, 376 U.S. at 237. Other courts have adopted this interpretation. *E.g.*, *Schuchart & Assocs., Inc. v. Solo Serve Corp.* 540 F. Supp. 928, 942-48 (W.D. Tex. 1982); *Klitzgen Indus., Inc. v. H. K. James & Co., Inc.*, 535 F. Supp. 1249, 1252 (E.D. Pa. 1982). Thus, the Court's reasoning in *Sears* also controlled in copyright preemption cases prior to section 301.

⁷⁷ *Sears*, 376 U.S. at 232-33.

⁷⁸ *Id.* at 231-33.

⁷⁹ *Compco*, 376 U.S. at 234.

⁸⁰ *Id.* at 234-36.

⁸¹ See *id.* at 235-36.

⁸² *Id.* at 236-38.

⁸³ *Id.* at 238.

Today we have held . . . that when an article is unprotected by a patent or a copyright; state law may not forbid others to copy that article. To forbid copying would interfere with the federal policy, found in Art. I, § 8, cl. 8, of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain.⁸⁴

Under this federal presumption doctrine articulated in the *Sears/Compco* decisions, then, a state law establishing an equivalent patent or copyright monopoly right was preempted, absent an express allowance of state regulation in the area by the federal law.⁸⁵

Lower court decisions following *Sears* and *Compco* were inconsistent,⁸⁶ despite the agreement among commentators that the two cases had "drastically altered the corpus of state intellectual property law."⁸⁷ Most of the troublesome preemption litigation involved state laws prohibiting "misappropriation,"⁸⁸ a form of copying that capitalizes unfairly on the good will and reputation of another property owner.⁸⁹ After *Sears* and *Compco*, courts

⁸⁴ *Id.* at 237.

⁸⁵ *Sears*, 376 U.S. at 233.

⁸⁶ State and federal courts often reached opposite conclusions under the *Sears/Compco* doctrine. See Bricker, *Thirty Months After Sears and Compco*, 14 BULL. COPYRIGHT SOC'Y 293, 301 nn.30-32 and accompanying text (1967). [hereinafter cited as Bricker, *Thirty Months*]; *Sears* and *Compco* were interpreted broadly by some federal courts of appeals. *E.g.*, *Sinatra v. Goodyear Tire and Rubber Co.*, 435 F.2d 711, 717-18 (9th Cir. 1970) (state laws can not encroach upon federal determination), *cert. denied*, 402 U.S. 906 (1971); *Columbia Broadcasting Sys., Inc. v. DeCosta*, 377 F.2d 315, 318-20 (1st Cir. 1967) (federal decision to leave "writing" in public domain may not be defeated by a state Act), *cert. denied*, 389 U.S. 1007 (1976); *Cable Vision, Inc. v. KUTV, Inc.*, 335 F.2d 348, 350 (9th Cir. 1964) (only state common law actions consistent with federal copyright will survive), *cert. denied*, 379 U.S. 989 (1965). See also Brown, *Unification*, *supra* note 21, at 1090-91. State courts were less enthusiastic about employing a broad interpretation of *Sears* and *Compco*. *E.g.*, *Flamingo Telefilm Sales, Inc. v. United Artists, Corp.*, 141 U.S.P.Q. 461, 462 (N.Y. 1964) (*Sears* prevents copying of a writing, states may still outlaw "misappropriation"). See Bricker, *Thirty Months*, at 295. Note, *Goldstein v. California: Breaking Up Federal Copyright Preemption*, 74 COLUM. L. REV. 960, 962 (1974). But see Bricker, *Thirty Months*, at 304 ("cases . . . which indicate that existing law is not affected by *Sears* and *Compco*").

⁸⁷ Katz, *Copyright Preemption Under the Copyright Act of 1976: The Case of Droit de Suite*, 18 PUB. ENT. ADVERT. & ALLIED FIELDS L.Q. 283, 292 (1980) [hereinafter cited as Katz, *Droit de Suite*]. See also Dannay, *The Sears-Compco Doctrine Today: Trademarks and Unfair Competition*, 67 TRADE-MARK REP. 132, 137 (1977). Prior to *Sears* and *Compco* the Supreme Court had established a case-by-case approach, examining state regulatory schemes under established principles of federal preemption. J. NOWAK, CONSTITUTIONAL LAW 268-69 (1978). "The Supreme Court has continually narrowed the scope of judicial inquiry to a determination of whether . . . the existence of the state regulatory scheme is facilitative or detrimental to the purposes and objectives of the federal statute." *Id.* at 269.

⁸⁸ See *infra* note 91 and cases cited therein.

⁸⁹ Misappropriation involves deceiving the consumer into thinking that a product being offered by one party is actually the work of another, more established party. See BLACK'S LEGAL DICTIONARY 901 (5th ed. 1979). For example, in *Columbia Broadcasting Sys., Inc. v. DeCosta*, 377 F.2d 315 (1st Cir. 1967), the Court of Appeals for the First Circuit refused to find an actionable wrong based on copyright. The case involved a celebrity whose distinguishing factors (black clothes and a card embossed with "Have Gun Will Travel" along with other

disagreed on the scope of the decisions as well as the effect of the restrictions on state misappropriation laws.⁹⁰ Courts were reluctant to read the decisions in their broadest sense, presumably due in large part to the tension between federal and state authority over events having both federal and state characteristics.⁹¹ Consequently, the courts failed to agree on the effect of these decisions. While some courts preempted such laws,⁹² others allowed them to stand, relying on theories of unjust enrichment⁹³ or tortious interference with contractual rights.⁹⁴

In the wake of these judicial inconsistencies, the Supreme Court, in *Lear, Inc. v. Adkins*,⁹⁵ limited the broad federal presumption laid out five years earlier in *Sears and Compco*.⁹⁶ In *Lear*, a patent licensee tried to terminate a royalty agreement by denying the validity of the licensor's patent.⁹⁷ At issue was whether the state estoppel doctrine could operate to force the licensee to respect the licensor's contractual rights to royalties, even though the licensor's patent had proved to be invalid, thereby establishing a monopoly right under state contract law that wouldn't have been recognized under federal patent law.⁹⁸ The *Lear* Court held that the doctrine estopping a patent licensee from challenging the patent's validity violated federal policy.⁹⁹ The Court expressly declined to define the circumstances, if any, under which states could properly

characteristics) were made a part of a television character by CBS. *Id.* at 318-20. The court held that the copied portions of the celebrity's personality had entered the public domain and therefore precluded infringement. *Id.* at 321. The appeals court reasoned that a finding of copyright infringement would have necessarily conflicted with the federal policy favoring the free dissemination of intellectual property established by *Sears and Compco*. *Id.* at 319.

⁹⁰ See *supra* note 86 and cases cited therein.

⁹¹ See *id.*

⁹² See, e.g., *Columbia Broadcasting Sys., Inc. v. DeCosta*, 377 F.2d 315 (1967), discussion *supra* note 89. Cf. *Sinatra v. Goodyear Tire and Rubber Co.*, 435 F.2d 711, 713 (9th Cir. 1970) (no unfair competition under California law), *cert. denied*, 402 U.S. 906 (1971); *Booth v. Colgate-Palmolive Co.*, 362 F. Supp. 343, 347 (S.D.N.Y. 1973) (no unfair competition in imitating actress' voice, as measured under state law). See also *Katz, Droit de Suite*, *supra* note 87, at 293.

Other courts, however, rejected the reasoning employed in *DeCosta*. These courts avoided invalidating state misappropriation claims by suggesting that *Sears and Compco* could be read more narrowly. E.g., *Pottstown Daily News Pub. Co. v. Pottstown Broadcasting*, 247 F. Supp. 578, 581 (E.D. Pa. 1965); *Flamingo Telefilm Sales, Inc. v. United Artists, Inc.*, 141 U.S.P.Q. 461, 462 (N.Y. 1964).

⁹³ See, e.g., *Grove Press, Inc. v. Collectors Publication, Inc.*, 264 F. Supp. 603, 606-07 (C.D. Cal. 1967) (preliminary injunction issued to prevent competition from obtaining an unfair competition advantage).

⁹⁴ See, e.g., *Urner Barry Publications v. Freeman*, 155 U.S.P.Q. 257, 258 (S.D.N.Y. 1967); *New York World's Fair, 1964-1965 Corp. v. Colourpicture Publishers, Inc.*, 21 App. Div. 2d 896, 897, 251 N.Y.S.2d 885, 886 (1964). See generally *Katz, Droit de Suite*, *supra* note 87, at 293.

⁹⁵ 395 U.S. 653 (1969).

⁹⁶ *Id.* at 662.

⁹⁷ See *id.* at 655-57.

⁹⁸ *Id.*

⁹⁹ *Id.* at 674.

act to enforce contractual rights of inventors of unpatented secret ideas.¹⁰⁰ The Court's language, however, suggested a willingness to reevaluate the theoretical basis of this issue in future decisions.¹⁰¹

This indication that the Supreme Court might redefine the standards determining federal preemption of state law was the precursor of a second, state presumptive doctrine. Established in *Goldstein v. California* (*Goldstein*)¹⁰² and *Kewanee Oil Co. v. Bicron Corp.* (*Kewanee*),¹⁰³ this new doctrine to some extent¹⁰⁴ changed the presumption from a clear federal presumption to one in favor of state law.¹⁰⁵ In *Goldstein*, the Court reviewed a record producer's conviction under a California statute making it a criminal offense to "pirate" (duplicate without permission) recordings produced by others.¹⁰⁶ At issue was a state's power to prevent copying of objects not treated by the copyright statute.¹⁰⁷ The *Goldstein* Court narrowly construed the preemptive capability of the copyright clause by holding the federal copyright power to be exclusive only when a similar exercise by the states would be "absolutely and totally contradictory and repugnant."¹⁰⁸ The Court's test for "repugnancy" involved the determination that federal power exists over "matters which are necessarily national in import."¹⁰⁹ Moreover, the Court reasoned that with respect to "necessarily national" matters, permissible situations, where conflicts between concurrent federal and state regulation "might possibly arise," must be distinguished from impermissible situations, mandating preemption, where such conflicts "will necessarily arise."¹¹⁰ *Goldstein's* distinction between preemption when conflicts "will necessarily arise," and preemption when conflicts "might possibly arise," indicated a shift in the presumptions employed in copyright preemption analysis.

¹⁰⁰ *Id.* at 674-75. See Note, *The "Copying-Misappropriation" Distinction: A False Step in the Development of the Sears/Compco Preemption Doctrine*, 71 COLUM. L. REV. 1444, 1454-55 (1971) [hereinafter cited as Note, *The "Copying-Misappropriation" Distinction*]; Katz, *Droit de Suite*, *supra* note 87, at 291-95.

¹⁰¹ *Lear, Inc. v. Adkins*, 395 U.S. 653, 675 (1969).

¹⁰² 412 U.S. 546 (1973).

¹⁰³ 416 U.S. 470 (1974).

¹⁰⁴ The decisions in *Goldstein* and *Kewanee* were viewed by some courts as undermining the *Sears/Compco* doctrine. *Ives Laboratories, Inc. v. Darby Drug Co.*, 601 F.2d 631, 640-41 (2d Cir. 1979); *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672, 683 n.11 (S.D.N.Y. 1979).

¹⁰⁵ See, e.g., *Richter v. Westab, Inc.*, 529 F.2d 896, 901 (6th Cir. 1976); *Timely Products Corp. v. Aaron*, 523 F.2d 288, 303 (2d Cir. 1975); *California v. Serrata*, 62 Cal. App.3d 9, 19-20, 133 Cal. Rptr. 144, 150 (1976). See generally *Goldstein, Kewanee Oil Co. v. Bicron Corp.*, *Notes on a Closing Circle*, 1974 SUP. CT. REV. 81, 83 (1975); Katz, *Droit de Suite*, *supra* note 87, at 295.

¹⁰⁶ See *Goldstein*, 412 U.S. at 548.

¹⁰⁷ See *id.* at 548-50.

¹⁰⁸ *Id.* at 553. As one commentator noted: "the Court's use of the 'repugnancy' standard for determining the preemptive force of the copyright clause tracks Alexander Hamilton's analysis in *The Federalist* No. 43." See Note, *Shifting Perspectives*, *supra* note 65, at 640 n.116.

¹⁰⁹ *Goldstein*, 412 U.S. at 554 (emphasis in original). The necessity element devolves from *Gibbons v. Ogden*, 22 U.S. (9 Wheat.) 1, 195 (1824).

¹¹⁰ 412 U.S. at 554.

The Court's implicit shift in *Goldstein* to a state presumptive doctrine was reinforced one year later in *Kewanee*.¹¹¹ In that case a group of former employees of Kewanee Oil used trade secrets developed while employed by Kewanee Oil after leaving that company's employ.¹¹² These actions were forbidden by Ohio trade secret law.¹¹³ At issue in *Kewanee* was the possible conflict between Ohio trade secret laws and federal patent laws.¹¹⁴ The Court held that the two policies were not in conflict.¹¹⁵ The Court tested preemption by determining the validity of the state presumption doctrine and by comparing the respective economic objectives and effects of the state and federal laws.¹¹⁶ The Court found them entirely compatible, reasoning that it was not a matter of patent policy that "subject matter once in the public domain must remain there."¹¹⁷ As a consequence of the Court's holdings in *Goldstein* and *Kewanee*, the central emphasis in preemption analysis changed from a concern for and wide deference to the scheme of federal law to a more state-oriented analysis.¹¹⁸ This analysis permitted state regulation unless concurrent copyright regulation would necessarily and inevitably lead to difficulty.¹¹⁹

Goldstein and *Kewanee*, however, did not overrule *Sears* or *Compco*.¹²⁰ The cases were distinguishable because the nature of the challenged laws were different.¹²¹ In *Sears* and *Compco*, the unfair competition statutes were simply a prohibition against unauthorized copying,¹²² and were clearly comparable to the existing federal prohibitions against copying.¹²³ *Goldstein* involved a statute outlawing "pirating" of sound recordings, an area not treated by the federal statute.¹²⁴ The *Goldstein* Court, therefore, refused to consider the absence of protection under federal copyright law as a mandate for the preemption of state protection.¹²⁵ Likewise, in *Kewanee*, the trade secret law at issue regulated com-

¹¹¹ 416 U.S. at 478-79.

¹¹² *See id.* at 473-74.

¹¹³ *Id.* at 473.

¹¹⁴ *Id.* at 479.

¹¹⁵ *Id.* at 484.

¹¹⁶ *Id.* at 480-93. *See Goldstein, Preempted State Doctrines*, *supra* note 19, at 1122.

¹¹⁷ *Goldstein*, 412 U.S. at 484.

¹¹⁸ *See id.* at 559.

¹¹⁹ *Id.*

¹²⁰ *Id.* at 569-70; *Kewanee*, 416 U.S. at 480. *But see id.* at 495 (Douglas, J., dissenting) ("Today's decision is at war with the philosophy of [*Sears* and *Compco*]."). *See generally* Katz, *Droit de Suite*, *supra* note 87, at 295.

¹²¹ *See* Katz, *Droit de Suite*, *supra* note 87, at 295.

¹²² *Sears*, 376 U.S. at 231-32; *Compco*, 376 U.S. at 238.

¹²³ *See* Act of July 30, 1947, 61 Stat. 652 (1947) (currently codified as amended at 17 U.S.C. §§ 501-10 (1976 & Supp. 1982)).

¹²⁴ 412 U.S. at 571. The amendment to 17 U.S.C. § 5 adding sound recordings to the list of copyrightable works did not take effect until Feb. 15, 1972. Act of Oct. 15, 1971, 85 Stat. 391, Pub. L. No. 92-140. The defendants in *Goldstein* were charged with pirating sound recording prior to Feb. 15, 1972, and therefore the amended statute did not apply. *Goldstein*, 412 U.S. at 571.

¹²⁵ *Goldstein*, 412 U.S. at 571.

mercial conduct and imposed a duty not to disclose business information obtained in confidence — matters outside federal copyright protection.¹²⁶ *Kewanee* and *Goldstein*, however, did narrow the scope of *Sears* and *Compco*. Under the *Sears/Compco* standard, state laws were not allowed to “interfere” with federal policy.¹²⁷ Yet, such interference arguably could come from state laws which create situations where conflicts “might possibly arise.” Under *Goldstein*, this possibility of conflict would not be sufficient to preempt the state law.¹²⁸ Thus, the Court apparently shifted its attitude toward copyright preemption by requiring, after *Goldstein* and *Kewanee*, a higher degree, or greater surety, of interference before finding a state law preempted. Thus, *Goldstein* and *Kewanee* represent a move away from federally presumptive preemption, toward a doctrine more favorable to state regulation.¹²⁹

The traditional preemption analysis applicable to copyright cases prior to the Copyright Revision Act of 1976, therefore, had included at least two distinct theories of presumption.¹³⁰ The initial theory, enunciated in *Sears* and *Compco*, represented a federally presumptive preemption analysis,¹³¹ under which state statutes interfering with the federal copyright scheme were presumed invalid.¹³² In contrast, the latter theory, outlined in *Goldstein* and *Kewanee*, approached preemption analysis more restrictively, requiring preemption only where a conflict between state and federal laws would “necessarily” arise.¹³³ This latter theory might be considered “state presumptive” because it required the federal government to demonstrate the state statute should be preempted. The resultant judicial confusion, and the fact that copyright, prior to the Copyright Revision Act of 1976, was a dual system including both state and federal regulation, combined to leave frustrated the goals of the Constitution’s copyright clause.¹³⁴ Consequently, section 301¹³⁵ embodied a major innovation by substituting a single federal system of copyright for the prior dual system,¹³⁶ and codifying preemption principles originally established as judicial doctrines subject to shifting emphases.¹³⁷ Section 301 not only defined the principles of the preemption analysis applicable to copyright law, but also gave some insight into the objectives and purposes of

¹²⁶ *Kewanee*, 416 U.S. at 475.

¹²⁷ *Compco*, 376 U.S. at 237.

¹²⁸ See *Goldstein*, 412 U.S. at 554-55.

¹²⁹ See *Katz*, *Droit de Suite*, *supra* note 87, at 295.

¹³⁰ See *Goldstein*, *Preempted State Doctrines*, *supra* note 87, at 1121. See generally Note, *The “Copying-Misappropriation” Distinction*, *supra* note 100.

¹³¹ See *Compco*, 376 U.S. at 237.

¹³² See *supra* notes 17-23 and accompanying text.

¹³³ *Goldstein*, 412 U.S. at 554-55.

¹³⁴ H.R. REP. 1476, *supra* note 5, at 129, 1976 U.S. CODE CONG. & AD. NEWS at 5744-45.

¹³⁵ 17 U.S.C. § 301 (1976).

¹³⁶ H.R. REP. 1476, *supra* note 5, at 129, 1976 U.S. CODE CONG. & AD. NEWS at 5744-45.

¹³⁷ *Id.* at 129-31, 1976 U.S. CODE CONG. & AD. NEWS at 5746-47.

the Copyright Revision Act.¹³⁸ Indeed, the intent enunciated by Congress¹³⁹ to replace the dual system of state and federal copyright regulation¹⁴⁰ with a single, federally regulated system was perhaps the most fundamental and significant change in copyright law introduced by the federal statute.¹⁴¹

II. CURRENT PREEMPTION ANALYSIS: WORKING WITH SECTION 301

Congress has long attempted¹⁴² to achieve more effectively the constitutional goal of promoting creative endeavors.¹⁴³ In the Copyright Revision Act, it continued to do so. There, Congress recognized that, to achieve this broad "primary" constitutional goal, certain narrow, "secondary" goals must be attained.¹⁴⁴ Thus, attaining uniformity of copyright protection has been deemed by Congress an important "means" for achieving the broad constitutional ends.¹⁴⁵ Section 301 was enacted to bring about such uniformity, specifically, uniformity in the preemption of state law.¹⁴⁶ Congress' power to establish its own "means" — secondary goals — to the primary constitutional goal is equivalent to, if not inseparable from, its power to effect that goal.¹⁴⁷

¹³⁸ *Id.* at 129-30, 1976 U.S. CODE CONG. & AD. NEWS at 5745.

¹³⁹ *Id.* at 129-32, 1976 U.S. CODE CONG. & AD. NEWS at 5745-49.

¹⁴⁰ Prior to the Copyright Revision Act of 1976, federal copyright legislation pertained only to published or registered works, with a common law copyright available for unpublished works under state law only. *Allied Artists Pictures Corp. v. Rhodes*, 496 F. Supp. 408, 442 (S.D. Ohio 1980).

¹⁴¹ H.R. REP. 1476, *supra* note 5, at 129, 1976 U.S. CODE CONG. & AD. NEWS at 5745.

¹⁴² See *supra* discussion at note 13.

¹⁴³ H.R. REP. 1476, *supra* note 5, at 129, 1976 U.S. CODE CONG. & AD. NEWS at 5745.

¹⁴⁴ *Id.* The House Report stated:

By substituting a single Federal system for the present anachronistic, uncertain, impractical, and highly complicated dual system, the bill would greatly improve the operation of the copyright law and would be much more effective in carrying out the basic constitutional aims of uniformity and the promotion of writing and scholarship. . . . [O]ne of the fundamental purposes behind the Copyright Clause of the Constitution, as shown in Madison's comments in *The Federalist*, was to promote national uniformity and to avoid the practical difficulties of determining and enforcing an author's rights under the differing laws and in the separate courts of the various States.

Id. The goal of uniformity envisioned by section 301 deserves as much consideration as the express constitutional goal of copyright ("to promote Science and the Useful Arts"). As the Supreme Court has noted, "every part of a statute must be construed in connection with the whole, so as to make all the parts harmonize, if possible, and give meaning to each." *Market Co. v. Hoffman*, 101 U.S. 112, 116 (1879). See also *Ex parte Pub. Nat'l Bank*, 278 U.S. 101, 104 (1928); *Adler v. Northern Hotel Co.*, 175 F.2d 619, 621 (7th Cir. 1949). See generally R. DICKERSON, *THE INTERPRETATION AND APPLICATION OF STATUTES* 89-90 (1975) (Statutes may have a congruity of purposes).

¹⁴⁵ H.R. REP. 1476, *supra* note 5, at 129, 1976 U.S. CODE CONG. & AD. NEWS at 5745.

¹⁴⁶ *Id.*

¹⁴⁷ See *United States v. Pfitsch*, 256 U.S. 547, 553 (1921) (court must give effect to all purposes). See generally R. DICKERSON, *THE INTERPRETATION AND APPLICATION OF STATUTES* 87-88 (1975); Landis, *A Note on "Statutory Interpretation,"* 43 HARV. L. REV. 886, 889-90 (1930); Witherspoon, *Administrative Discretion to Determine Statutory Meaning: "The Middle Road": I*, 40 TEX. L. REV. 751, 789-805 (1962).

The preemption section applies to all "legal or equitable rights . . . within the scope of copyright,"¹⁴⁸ thereby establishing an analysis that affects all exclusive rights in original works of authorship.¹⁴⁹ In light of this pervasive quality of the preemption section, and its close association with the congressional desire for national uniformity in copyright protection, it is evident that preemption uniformity was meant to be equally pervasive in effect.¹⁵⁰ Likewise, any other objective, such as authorial monopolistic control over a copyrighted work, must be viewed as a congressional mandate, a part of a pervasive scheme to achieve uniformity, and consequently a constitutional objective.¹⁵¹

Although legislative history is crucial to understanding how properly to approach section 301, the wording of the preemption section is of even greater importance.¹⁵² The statutory language of section 301(a) presents a two-part test¹⁵³ which preempts state laws when they provide rights that are (1) "equivalent" to any of those exclusive rights "within the general scope of copyright" that are provided by the Act, and (2) applied to works of authorship "within the subject matter of copyright" as defined in the Act.¹⁵⁴ The vagueness of the term "equivalent," coupled with the dearth of legislative

¹⁴⁸ 17 U.S.C. § 301(a) (1976). See *supra* note 8 for text of § 301(a).

¹⁴⁹ *Id.*

¹⁵⁰ See H.R. REP. 1476, *supra* note 5, at 129-32, 1976 U.S. CODE CONG. & AD. NEWS at 5745-48. The language of the House Report set out *supra* note 144 should make it clear that Congress believed section 301 would greatly improve the operation of the copyright law by formalizing the system of copyright protection. It seems unlikely that section 301 was meant to effect uniformity in copyright protection without an uniformity in its application.

¹⁵¹ See Katz, *Copyright Preemption Under the Copyright Act of 1976: The Case of Droit de Suite*, 47 GEO. WASH. L. REV. 200, 212-13 (1978) [hereinafter cited as Katz, *Copyright Preemption*]. As noted by this commentator:

Congress could have preempted all state laws regulating, either directly or indirectly, the subject matter of copyright by merely affecting the incentive to produce original expression. Instead, Congress chose a middle course by preempting only those state-created rights which *by their purpose* distort the limited economic monopoly intended to induce artistic and literary productivity.

Id. See also material cited *supra* note 147.

¹⁵² It is a maxim of statutory construction that "effect . . . [must be given] if possible, to every clause and word of a statute." *Montclair v. Ramsdell*, 107 U.S. 147, 152 (1882). See also *Adler v. Northern Hotel Co.*, 175 F.2d 619, 621 (7th Cir. 1949). See generally 2A SANDS, *supra* note 3, ch. 48.

¹⁵³ 17 U.S.C. § 301(a) (1976). See *supra* note 8 for text of § 301(a).

¹⁵⁴ *Id.* Since the second part of this test creates definitional and conceptual problems different from the first part, this note will limit its discussion to the first part of the test. "Subject matter of copyright" refers to those works that are copyrightable. 17 U.S.C. §§ 102 and 103 (1976) provide:

Section 102,

(a) Copyright protection subsists, in accordance with this title [17 USCS §§ 101 *et seq.*], in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

(1) literary works;
(2) musical works, including any accompanying words;
(3) dramatic works, including any accompanying music;

guidance on its meaning,¹⁵⁵ has resulted in judicial confusion and inconsistent results.¹⁵⁶

A. Section 301's "Equivalent Rights"

Since section 301 purports to preempt all legal or equitable rights "equivalent" to those exclusive rights "within the general scope of copyright,"¹⁵⁷ any state right that is determined by a court to be "equivalent" to any of the federally created exclusive rights — reproduction, derivative work preparation, distribution, performance, or display—will be preempted.¹⁵⁸ Section 301, however, fails to define the term "equivalent" adequately.¹⁵⁹ One noted commentator has suggested that section 301(a) works as a term of iden-

- (4) pantomimes and choreographic works;
- (5) pictorial, graphic, and sculptural works;
- (6) motion pictures and other audiovisual works; and
- (7) sound recordings.

(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

17 U.S.C. § 102;

Section 103,

(a) The subject matter of copyright as specified by section 102 [17 USCS § 102] includes compilations and derivative works, but protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully.

(b) The copyright in a compilation or derivative work extends only to the material contributed by the author of such work as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.

Id. at § 103.

Thus, the scope of "subject matter of copyright" is outlined by description by "category," both included, 17 U.S.C. § 102(a) (1976), and not included, *id.* at § 102(b). The cases that will be subsequently analyzed, *infra* at notes 201-311 and accompanying text, were concerned with state laws creating rights applied to motion pictures. Thus, since motion pictures are expressly included as protected subject matter, *id.* at § 102(a)(6), the ensuing analysis will consider only the problems created by the first part of the test.

Section 301 also serves to define rights that are not preempted. *See* 17 U.S.C. §§ 301(b)(1)-(2), 301(c), and 301(d) (1976). These provisions, however, are not germane to this analysis, and therefore will not be discussed. Moreover, section 301(b)(3), as the obverse of § 301(a), will be treated only in its relation to § 301(a). *See supra* note 8, for text of § 301.

¹⁵⁵ H.R. REP. 1476, *supra* note 5, sets out interpretational guidelines in only the most general terms. *See supra* notes 146-200 and accompanying text.

¹⁵⁶ *See* cases cited *supra* note 33.

¹⁵⁷ 17 U.S.C. § 301(a) (1976).

¹⁵⁸ *See id.* at § 106.

¹⁵⁹ The inadequacy of section 301's definition of equivalency has been the subject of several commentators' inquiry. *See* 1 NIMMER, *supra* note 24, at 1-8 to 1-14.2; Diamond, *supra* note 9, at 205-12; Goldstein, *Resale Royalties*, *supra* note 16, at 1322-26.

tification and not of limitation.¹⁶⁰ As a term of identification only, the state-created right need not be *identical* to a right created by federal copyright law to be preempted; it is sufficient for preemption purposes if it is *essentially* equivalent.¹⁶¹ This interpretation is supported by the House Judiciary Committee's report on section 301,¹⁶² which explains that "all *corresponding* state laws, whether common law or statutory, are preempted and abrogated."¹⁶³ The report then declares that "corresponding" should not denote necessarily identical rights.¹⁶⁴ In addition, the general, nonspecific language in the copyright statute, purporting to describe the rights "within the scope of copyright," appears to preclude any requirement of a finding of *identical* rights between federal and state rights to mandate preemption. In section 106 of the Copyright Revision Act the general nature, if not the precise limits, of the rights "within the scope of copyright" are identified as the exclusive right to do or authorize any of the following: (1) reproduction of the copyrighted work; (2) preparation of derivative works; (3) distribution of copies of the copyrighted work by rental lease or lending; (4) performance of the copyrighted work; or (5) display of the copyrighted work.¹⁶⁵ Thus, the scope of the effect of section 301 has been defined in only its broadest terms.

Since the limits of the preemption section are only generally, and not explicitly defined in the statute, courts have attempted to establish more precise parameters based on Congress' specific intent.¹⁶⁶ In this examination of Congress' intent, certain broad extremes exist to guide a court's construction of section 301.¹⁶⁷ On the one hand, if the courts were to find that Congress intended to preempt only those state laws whose purpose was identical to the purpose behind federal copyright, section 301, arguably, would cut too narrowly.

¹⁶⁰ 1 NIMMER, *supra* note 24, at 1-10. "If a state-created right is 'within the general scope of copyright,' it is subject to preemption, even if the precise contours of the rights differ from any of those contained in Section 106." *Id.* Professor Nimmer also mentions an argument against this thesis of identification. *Id.* at 1-10 n.35. Nimmer notes that a change from an earlier version of the Copyright Revision Act, which referred to "all rights in the nature of copyright," to the present version, which refers to "all legal and equitable rights," could be considered evidence of a congressional desire to a more specific delineation of the rights actually protected by section 106. *Id.* Professor Nimmer concludes that the rewording of subsection (a) was meant merely to track the language of subsection (b). Therefore, he explains, the change could be understood as merely a clarification and not a change in substance. *Id.* See also H.R. REP. 1476, *supra* note 5, at 130, 1976 U.S. CODE CONG. & AD. NEWS at 5745-46.

¹⁶¹ See discussion *infra* note 172. Although Professor Nimmer does not explicitly state that rights that are *essentially* equivalent are equivalent under section 301, his identification/limitation distinction should allow for this inference.

¹⁶² H.R. REP. 1476, *supra* note 5, at 130, 1976 U.S. CODE CONG. & AD. NEWS at 5746.

¹⁶³ *Id.* (emphasis added).

¹⁶⁴ *Id.* See 1 NIMMER, *supra* note 24, at 1-10 n.35.

¹⁶⁵ 17 U.S.C. § 106(1)-(5) (1976).

¹⁶⁶ See, e.g., *Allied*, 496 F. Supp. at 443 (singular emphasis on primary purpose of Copyright Act will effect congressional intent); *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672, 684 n.12 (S.D.N.Y. 1979) ("extra element" sufficient to identify non-equivalent rights intended by Congress to be exempted).

¹⁶⁷ See *infra* notes 172-73 and cases cited therein.

It would be too easy to find relatively minor characteristics of a state law that would prevent preemption.¹⁶⁸ On the other hand, if the courts declared that the intent of Congress was to preempt all state statutes whose effects are equivalent to copyright, the section would seem to sweep too broadly. The section would preempt state doctrines that Congress intended to survive.¹⁶⁹ The intent of Congress, therefore, presumably lies somewhere between these two extremes.

Retreating from these two extremes, courts seeking to determine the scope Congress intended for section 301 have developed a variety of approaches. The five most common include: (1) an extra element test, (2) an economic right comparison, (3) a broad definition of equivalent rights, (4) a definition of equivalency as an absence of differences, and (5) a more traditional, federally presumptive approach. Under the first approach, courts look to legislative history to conclude that "equivalency" should be determined by the presence or absence of an "extra element."¹⁷⁰ Thus, if a state-created right contains elements or characteristics different from the federally created right, the state right is not preempted.¹⁷¹ The "extra element" test sometimes works sensible results.¹⁷² More often, however, the test works results contrary to the intent of the statute, due primarily to the ease with which a court can "find" the extra element needed for the state law to survive preemption.¹⁷³ The extra element

¹⁶⁸ The danger of such a narrow construction prompted section 301's framers to delete a proposed list of non-preempted state law rights originally included as part of section 301(b)(3). See *infra* notes 196-206 and accompanying text.

¹⁶⁹ H.R. REP. 1476, *supra* note 5, at 132, 1976 U.S. CODE CONG. & AD. NEWS at 5747-48. See *infra* notes 196-206 and accompanying text.

¹⁷⁰ *E.g.*, *Factors, Etc. v. Pro Arts, Inc.*, 496 F. Supp. 1090, 1097-110 (S.D.N.Y. 1980); *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672, 684 n.12 (S.D.N.Y. 1979). See also H.R. REP. 1476, *supra* note 5, at 132, 1976 U.S. CODE CONG. & AD. NEWS at 5747-48. See generally Note, *Resale Royalties*, *supra* note 16, at 1322; 1 NIMMER, *supra* note 24, at 1-12 to 1-14.2. When the rights established by a state law are so clearly equivalent to federal copyright rights, however, a court may not need to use any strict "test." See, *e.g.*, *IPEC, Inc. v. Magenta Films, Ltd.*, No. 81-3341, slip op. at 24 (S.D.N.Y. Apr. 24, 1982).

¹⁷¹ The basic requisites to state a cause of action under the Copyright Act are (1) that a work is protected by copyright, (2) that the plaintiff owns the copyright, and (3) that the copyright has been infringed by the defendant's acts of reproduction, performance, distribution, or display. See FED. R. CIV. P. Form 17; 3 NIMMER, *supra* note 22, at § 12.09(A). Hence, if the state right contains different characteristics, under the "extra element" test, the first requirement for stating a cause in copyright is unfulfilled.

¹⁷² See *John Harland Co. v. Clarke Checks Inc.*, 207 U.S.P.Q. 664, 668 (N.D. Ga. 1980) (court permitted state to protect fair practices interest, *i.e.*, to protect the consumer from deception, as entirely different from creativity interest protected by copyright, by finding "extra element" to be proof of confusion or deception); *Suid v. Newsweek Magazine*, 503 F. Supp. 146, 149 (D.D.C. 1980) (court refused to recognize "failure to attribute or misappropriation without attribution" as an "extra element" sufficient to survive preemption). See generally Note, *Resale Royalties*, *supra* note 16, at 1322.

¹⁷³ See, *e.g.*, *Orth-O-Vision v. Home Box Office*, 474 F. Supp. 672, 683-84 (S.D.N.Y. 1979) (added element of "intent to avoid payment" suggested to allow a state law to survive preemption analysis). There remains a significant danger that the use of this test will allow an element such as intent, which may to a very small degree distinguish a state claim from copyright to be dispositive. See also Goldstein, *Preempted State Doctrines*, *supra* note 19, at 1113; Note, *Resale Royalties*, *supra* note 16, at 1322-24.

test also allows state legislatures to manipulate preemption analysis by encouraging them to add extra elements to state laws,¹⁷⁴ thereby permitting courts to find non-equivalency due to these extra elements.

The second approach defines equivalent rights as limited to particular economic rights which are the subject matter of copyright.¹⁷⁵ Thus, a state-created right conflicts with a federal right only when the economic effects of the former interfere with the latter.¹⁷⁶ The problem with this approach is that it assumes that a right can be described in only one way and may therefore be easily identified. Like the "extra element" test, this emphasis on a particular definition of the right ignores the manipulative ability of the state.¹⁷⁷ Thus, rights which are essentially "corresponding rights" can be described in varying ways to evade preemption.

The third approach defines "equivalent rights"¹⁷⁸ more broadly. If a state law creates rights which could be violated by the mere act of reproduction, performance, distribution, or display of a "work of authorship," those rights are "equivalent" to copyright and therefore preempted.¹⁷⁹ This approach is consistent with the congressional desire for preemption uniformity and the federal government's need to control the "means" to its ultimate purposes.¹⁸⁰ This approach, however, is too broad. For example, taxes would be excluded if they were in any way related to copyright ownership, and thereby restricted the owner's exclusive rights.¹⁸¹ This broad approach fails to define equivalent rights so as to permit state laws that only minimally affect copyright and have a

¹⁷⁴ See Note, *Resale Royalties*, *supra* note 16, at 1323, which states:

Although the extra element approach is suggested by the House Committee Report, the context in which it is set forth there justifies its abandonment. The committee did not define equivalency and then list state rights that necessarily fell outside the definition. Instead, the House Report implies that the committee set out those rights it intended to save from preemption and then formulated a rough test to explain how those particular rights were different from copyright.

Id.

¹⁷⁵ See, e.g., *Gilliam v. American Broadcasting Co.*, 538 F.2d 14, 21 (2d Cir. 1976) (economic control over work permits copyright holder to maintain integrity of creation). See also *Katz, Copyright Preemption*, *supra* note 151, at 225 (examination of the possible effect of section 301 on the common law right of droit moral).

¹⁷⁶ See, e.g., *Lear, Inc. v. Adkins*, 395 U.S. 653, 674-75 (1969). Although this case was decided before the 1976 Act, it does serve to show the approach suggested. See *Goldstein Preempted State Doctrines*, *supra* note 19, at 1114.

¹⁷⁷ See *supra* notes 170-74 and accompanying text.

¹⁷⁸ See *supra* discussion in note 9.

¹⁷⁹ 1 NIMMER, *supra* note 24 at 1-11 to 1-12.

¹⁸⁰ See *infra* notes 276-306 and accompanying text.

¹⁸¹ Nonetheless, the reduction of licensing revenues by means of a state tax does not, in and of itself, abridge a copyright holder's exclusive rights. *Fox Film Corp. v. Doyal*, 286 U.S. 123, 131 (1932). See *United States v. Paramount Pictures, Corp.*, 334 U.S. 131, 158 (1948). In *Fox Film*, however, the Court held only that a non-discriminatory state gross receipts tax of general application was not preempted interference. 286 U.S. at 131. There is some question whether it should be applicable to a more direct regulation of the licensing terms of motion picture distribution. *Associated*, 520 F. Supp. at 992-93.

purpose entirely different from the federal copyright statute. This approach, therefore, appears inconsistent with Congress' effort to create a centralized system of federal copyright regulation which also recognized the states' right to regulate in ways that minimally affect copyright.¹⁸²

The fourth suggested approach defines equivalency as the absence of differences between the state law at issue and federal copyright law.¹⁸³ This approach suffers from the same problems inherent in the "extra element" test.¹⁸⁴ The determinative term "difference" is subjective, making uniformity in interpretation virtually impossible.¹⁸⁵ The absence of recognizable standards in the construction of "differences," therefore, would seem to lead inevitably to inconsistent judicial interpretations.¹⁸⁶

A fifth approach¹⁸⁷ suggests that Congress' reference to "equivalent rights," coupled with a limited mention of the *Sears/Compco* analysis in legislative history,¹⁸⁸ and the lack of any explicit refutation of the more state oriented analysis in place prior to the enactment of section 301, indicates a congressional intent to codify the "factually grounded" analysis found in *Goldstein* and *Kewanee*.¹⁸⁹ This approach, however, reads the House Judiciary Committee's comments concerning the usefulness of *Sears* and *Compco* in its most limited sense, and considers silence on the continuing instructive value of *Goldstein* and *Kewanee* as an indication that their federal emphasis has in fact been codified in section 301. There is a counter-argument, however, that Congress' statutory preemption analysis, as expressed in section 301,¹⁹⁰ actually replaced the judicially established *Goldstein/Kewanee* analysis with an analysis more akin to that found in *Sears* and *Compco*.¹⁹¹ Indeed, the House Judiciary Committee's comments on section 301 explicitly mentioned the role of the *Sears/Compco* preemption doctrine.¹⁹² According to the committee report, *Sears* and *Compco* — the federal presumption cases — were to be instructive in deter-

¹⁸² See *Allied*, 496 F. Supp. at 447; H.R. REP. 1476, *supra* note 5, at 132, 1976 U.S. CODE CONG. & AD. NEWS at 5748.

¹⁸³ See Comment, *The Resale Royalties Act: Paintings, Preemption and Profit*, 8 GOLDEN GATE L. REV. 239, 254-55 (1978) (interference determination should look at purpose). This approach tracks the district court's reasoning in *Morseburg v. Balyon*, 2 COPYRIGHT LAW REPORTER (CCH) ¶ 25,077 (C.D. Cal. 1978), *aff'd*, 621 F.2d 972, 977 (9th Cir. 1980), *cert. denied*, 449 U.S. 983 (1980). In *Morseburg*, the court found no conflict between federal copyright law and the California Resale Royalties Act, which required royalties payment to the artist upon resale of his work. *Id.* at 976-77. The court reasoned that while the copyright provisions dealt with first sales, the Resale Royalties Act dealt with subsequent sales. *Id.* at 978.

¹⁸⁴ See *supra* notes 170-74 and accompanying text.

¹⁸⁵ Note, *Resale Royalties*, *supra* note 16, at 1325.

¹⁸⁶ See *id.*

¹⁸⁷ See Goldstein, *Preempted State Doctrines*, *supra* note 19, at 1122-23.

¹⁸⁸ H.R. REP. 1476, *supra* note 5, at 131, 1976 U.S. CODE CONG. & AD. NEWS at 5746.

¹⁸⁹ See *supra* notes 57-141 and accompanying text.

¹⁹⁰ See *supra* note 8 for text of section 301.

¹⁹¹ See H.R. REP. 1476, *supra* note 5, at 131, 1976 U.S. CODE CONG. & AD. NEWS at 5747. See also *supra* notes 57-141 and accompanying text.

¹⁹² H.R. REP. 1476, *supra* note 5, at 131, 1976 U.S. CODE CONG. & AD. NEWS at 5747.

mining the limits of statutory preemption analysis.¹⁹³ The absence of any mention of *Goldstein* or *Kewanee* — the cases representing state presumptive analysis — suggests that the latter two cases should be of questionable instructive value,¹⁹⁴ and that section 301 was meant to be a federally preemption analysis.¹⁹⁵

The legislative history of section 301 lends further support to the conclusion that Congress intended to codify the federal presumption.¹⁹⁶ Prior to the enactment of the Copyright Revision Act, an illustrative enumeration of non-preempted state's rights¹⁹⁷ was a part of the Act's provisions.¹⁹⁸ This list was originally intended to provide guidance to courts in determining which state rights had been preempted.¹⁹⁹ The list, however, was deleted prior to enactment of section 301.²⁰⁰ The major reason for the deletion was the Justice Department's opinion²⁰¹ that the list posed the danger of nullifying the entire preemption section.²⁰² The Justice Department expressed concern that a court

¹⁹³ As discussed earlier, *Sears and Compco* represented a presumption analysis that was federally presumptive. See *supra* note 67-94 and accompanying text.

¹⁹⁴ But see *Factors Etc., Inc. v. Pro Arts, Inc.*, 496 F. Supp. 1090, 1099 (S.D.N.Y. 1980), where the district court declared the analysis in *Kewanee* and *Goldstein* instructive in interpreting section 301. See also *Goldstein, Preempted State Doctrines*, *supra* note 19, at 1122-23.

¹⁹⁵ See Note, *Resale Royalties*, *supra* note 16, at 1326; *Fantastic Fakes, Inc. v. Pickwick Int'l Inc.*, 661 F.2d 479, 483 (5th Cir. 1981) (scope of copyright protection as in *Sears* expanded and its preemptive nature codified in section 301).

¹⁹⁶ Legislative history may be used to assist courts in their interpretations of the congressional intent. *Federal Communication Comm'n v. Cohn*, 154 F. Supp. 899, 910 (S.D.N.Y. 1957) ("The plain meaning rule . . . is not to be used to thwart or distort the intent of Congress by excluding from consideration enlightening material from the legislative files."). But see generally 2A SANDS, *supra* note 3, ch. 11, 14, 48 (limits to use of legislative history exist, and "court must be careful not to overemphasize").

¹⁹⁷ H.R. REP. 1476, *supra* note 5, at 132, 1976 U.S. CODE CONG. & AD. NEWS at 5748 (rights to be preserved are privacy, publicity, trade secrets, defamation, fraud, contract, trust, trespass, conversion, passing off, and false representation). The original version of the preemption section contained the enumeration, but the entire list was deleted during debate on the floor of the House of Representatives after the Justice Department expressed some concern about the effect of specifically exempting state misappropriation laws. *Diamond*, *supra* note 9, at 225.

¹⁹⁸ 17 U.S.C. § 301(b)(3) was originally phrased:

- (b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any state with respect to . . .
- (3) activities violating rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106, including breaches of contract, breaches of trust, invasion of privacy, defamation, and deceptive trade practices such as passing off and false representation.

H.R. REP. 1476, *supra* note 5, at 143-44, 1976 U.S. CODE CONG. & AD. NEWS at 5746-48.

¹⁹⁹ H.R. REP. 1476, *supra* note 5, at 132, 1976 U.S. CODE CONG. & AD. NEWS at 5748. See *Diamond*, *supra* note 9, at 209-10.

²⁰⁰ *Diamond*, *supra* note 9, at 209.

²⁰¹ Department of Justice letter of July 27, 1976, to the Subcommittee, reprinted in CURRENT DEVELOPMENT IN COPYRIGHT LAW 59 (PLI 1977) [hereinafter cited as Justice Dept. letter].

²⁰² The Department suggested that such an exemption could "easily be construed by the courts as authorizing the states to pass misappropriation laws [and that] such enabling legislation could be so broad as to render the preemption section meaningless." 122 CONG. REC. 32,015 (1976) (Mr. Seiberling). See *supra* note 197 and accompanying text.

could construe the proposed examples to exempt other non-listed, but comparable, rights that were intended to be preempted.²⁰³ Furthermore, the department stressed that the list was unnecessary because the examples would survive what it termed "traditional preemption analysis," even without an articulated desire in the Copyright Revision Act to save them.²⁰⁴

The Justice Department, however, left unmentioned which presumption — federal or state²⁰⁵ — it deemed the correct one for its "traditional analysis." Considering the department's concern that states not expand the exempted rights and the committee report's specific reference to the *Sears/Compco* analysis, it seems logical to presume that the "traditional preemption analysis" mentioned by the Justice Department referred to the federally presumptive analysis of *Sears* and *Compco*. The list's deletion then, should be seen as an attempt to avoid an interpretation of section 301 as a permissive, state-presumptive preemption analysis. Indeed, Congress ignored, if not rejected, *Goldstein's* more permissive emphasis.²⁰⁶ Consequently, any silence of Congress in the wake of section 301 should "be taken to reflect a judgment that free (unregulated) competition should prevail,"²⁰⁷ and that the distinction between situations where conflicts "might possibly arise" or "will necessarily arise"²⁰⁸ should be abandoned.²⁰⁹ This approach would recognize a federally presumptive nature in section 301, and properly assimilate pre-section 301 preemption analysis.

Overall, the failure of Congress to define the central term "equivalent rights" has played a significant role in the frustration of Congress' intent to

²⁰³ Justice Dept. letter, *supra* note 201, at 65. See Diamond, *supra* note 9, at 208-12, for a discussion of why the Justice Department's concerns were not sufficient to warrant the deletion of those examples. Diamond suggests that the result of the deletion is worse. *Id.* at 212. There is now insufficient guidance for courts to determine with consistency and certainty which "borderline rights" are preempted. *Id.* Diamond's argument is supported by the courts' tendency to use the deleted examples as support for their decisions. *E.g.*, Mitchell v. Penton/Indus. Publishing Company, Inc., 486 F. Supp. 22, 24-25 (N.D. Ohio 1979) (claim of "passing off" held not equivalent to rights of copyright — deleted examples as support). See generally 1 NIMMER, *supra* note 24, at 1-12 to 1-14.2 and cases cited therein.

²⁰⁴ "I am trying to have this bill leave the state law alone and make it clear we are merely dealing with copyright laws, laws applicable to copyright." 122 CONG. REC. 32,015 (1976) (Mr. Seiberling).

²⁰⁵ See *supra* notes 57-141 and accompanying text.

²⁰⁶ Professor Nimmer, however, has observed that "it seems likely that Section 301 merely codified *Goldstein*, with respect to works published before January 1, 1978, the effective date for the 1976 Act." 1 NIMMER, *supra* note 24, at 1-7 n.22. *Factors, Etc., Inc. v. Pro Arts, Inc.*, 496 F. Supp. 1090, 1099 (S.D.N.Y. 1980) (treatise cited). Professor Nimmer's observation is, however, limited to those causes of action arising before January 1, 1978. His failure to extend expressly the validity of *Goldstein's* codification past 1978 could be read as limiting the instructive value of *Goldstein*, or at least reserving his opinion until after further analysis by courts and commentators.

²⁰⁷ *Goldstein*, 412 U.S. at 577-78 (Marshall, J., dissenting) (federal emphasis should not be discarded).

²⁰⁸ *Id.* at 554.

²⁰⁹ But see *Factors, Etc., Inc. v. Pro Arts, Inc.*, 496 F. Supp. 1090, 1099 (S.D.N.Y. 1980); *Goldstein*, *Preempted State Doctrines*, *supra* note 19, at 1122-23.

"avoid the development of any vague borderline areas between state and federal protection" through the enactment of section 301.²¹⁰ Courts have been unable to interpret section 301 with any certainty or structural uniformity.²¹¹ As a result, uniformity has not been achieved in either the form of preemption analysis applied or the consistency in conclusions reached by courts.²¹² Examining two recent cases²¹³ involving the problems encountered in current preemption analysis makes this non-uniformity clear.²¹⁴ In each case, the court purportedly applied section 301's preemption analysis to comparable state statutes,²¹⁵ but employed differing analyses and reached different results. The differences in their analyses and conclusions are significant indicia of the need for a consistent interpretation of section 301 which will ensure the integrity of the federal copyright system.

B. Section 301's Application

1. The *Allied* and *Associated* Decisions

In *Allied Artists Pictures Corp. v. Rhodes*²¹⁶ (*Allied*) and *Associated Film Distribution Corp. v. Thornburgh*²¹⁷ (*Associated*), two federal district courts examined the interface between states' regulation²¹⁸ of certain licensing practices²¹⁹ of motion

²¹⁰ H.R. REP. 1476, *supra* note 5, at 130, 1976 U.S. CODE CONG. & AD. NEWS at 5746.

²¹¹ See cases cited *supra* note 34.

²¹² See *infra* notes 215-327 and accompanying text for illustrative analysis.

²¹³ *Allied Artists Pictures Corp. v. Rhodes*, 496 F. Supp. 408 (S.D. Ohio 1980); *Associated Film Distribution Corp. v. Thornburgh*, 520 F. Supp. 971 (E.D. Pa. 1981).

²¹⁴ Although there are other states that have similar statutes, Ohio's and Pennsylvania's are two of the more extensive regulatory statutes and thus lend themselves well to examination.

²¹⁵ Compare OHIO REV. CODE ANN. §§ 1333.05-.07 (Baldwin 1978) with 73 PA. CONS. STAT. ANN. §§ 203-1 to 203-11 (Purdon 1980). Both district courts agreed that under section 301 the standard was whether the state legislation "grants, creates, or destroys" rights equivalent to those of copyright. *Associated*, 520 F. Supp. at 993. In addition, both courts recognized a standard they considered applicable to section 301: whether the state Act limits the exercise of federally created rights and therefore "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress." *Id.* at 993; *Allied*, 496 F. Supp. at 441 (both cases quoting *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941)).

²¹⁶ 496 F. Supp. 408 (S.D. Ohio 1980), *aff'd in part and rev'd and remanded in part*, 679 F.2d 656 (6th Cir. 1982) (affirmed on copyright issue, reversed and remanded for further consideration of commerce clause issue).

²¹⁷ 520 F. Supp. 971 (E.D. Pa. 1981), *rev'd and remanded on other grounds*, 683 F.2d 808 (3d Cir. 1982) (summary judgment improper).

²¹⁸ As of the end of 1982 twenty-three states had enacted laws regulating motion picture licensing practices. See ALA. CODE § 8-18 (Supp. 1982); ARK. STAT. ANN. § 70-11 (Supp. 1981); GA. CODE § 13 (Supp. 1982); IDAHO CODE § 77 (Supp. 1982); IND. CODE ANN. § 5 (Burns 1982); KAN. STAT. ANN. § 51 (Supp. 1982); LA. REV. STAT. ANN. § 37:2901 (West Supp. 1982); ME. REV. STAT. ANN. tit. 10, § 315 (Supp. 1982); MASS. GEN. LAWS ANN. c. 93F, §§1-4 (West Supp. 1982); MO. ANN. STAT. § 407.350 (Supp. 1982); N.C. GEN. STAT. § 75C (1981); OHIO REV. CODE ANN. § 1333.05-07 (Baldwin 1978); OR. REV. STAT. § 646.890 (1982); PA. CONS. STAT. ANN. § 203 (Purdon 1980); S.C. CODE ANN. § 39-5 (Law Co-op Supp. 1982); TENN. CODE ANN. § 69 (Supp. 1982); UTAH CODE ANN. § 13-13 (Supp. 1981); VA. CODE § 59.1 (Supp. 1982); WASH. REV. CODE § 19.58 (Supp. 1982); W. VA. CODE § 47-110 (1980). All of these statutes prohibit blind bidding, but only fourteen of them regulate the bidding process

(Alabama, Arkansas, Kansas, Louisiana, Maine, Massachusetts, Missouri, New Mexico, New York, Ohio, South Dakota, Utah, Virginia, Washington, West Virginia). Three states (Ohio, Pennsylvania, and Utah) have restrictions on advances. Only one state (Pennsylvania) contains regulation of practices such as "exclusive first runs."

²¹⁹ To understand fully the significance of these statutes and their effect on distribution practices in the motion picture industry, it is necessary to understand the structure of the industry. Prior to 1948, the production and distribution arm of the film industry had become increasingly concentrated in a small number of major companies. *Allied*, 496 F. Supp. at 414. In addition, the major distributors also owned many of the nation's leading exhibition theaters. *Id.* After *United States v. Paramount Pictures, Inc.*, 334 U.S. 131 (1948), in which the Supreme Court found the defendants, major film distributors, guilty of antitrust violations, distributors were required to divest themselves of their theaters, and thus the exhibition arm of the industry became—and remains—less concentrated. *Allied*, 496 F. Supp. at 414. Theaters are owned individually or in regional or national chains. *Id.* Motion pictures are not sold, but instead are licensed out to theater owners by producer-distributors. *Id.*

A significant result of this industry bifurcation has been the development of a symbiotic relationship between exhibitors and distributors. *Id.* Without the cooperation of the exhibitors, producer-distributors would be without any major market for their films. *Id.* Conversely, producer-distributors control dissemination of their products to exhibitors. *Id.* Despite their market interdependence, the two arms of the industry compete against one another for the returns from the exhibition of a motion picture by bargaining for terms in the licensing agreement. *Id.* at 415. As noted by the district court in *Allied*:

[Prior to passage of the various state laws,] licensing occurred through either competitive bidding or negotiation. In addition to the division of box office receipts ("percentage"), terms of a license agreement quite often included a "guarantee"—a sum representing a minimum film rental payment that the exhibitor guarantees he will pay the distributor regardless of the financial success of the movie; and "advance"—the amount of film rental the exhibitor will pay the distributor in advance of the release; the geographical market area to be exclusive to that exhibitor; and the length of the "run"—the number of weeks the exhibitor will show the picture. The practice evolved whereby a producer-distributor would notify all the exhibitors in a given area of a forthcoming film, accompanied by certain information about the film and request bids on suggested terms. Theater owners then submitted their bids, listing the amount of an advance, if any, and a division of box office receipts they offered along with other terms. [This practice was known as requiring a "blind bid" since there was not a trade screening of the picture prior to its licensing.] The submitted bids were accepted or rejected by the distributors.

Id.

Films are distributed nationally through an elaborate system. *Id.* Distribution costs often equal or exceed those of production. *Id.* Usually a motion picture needs to make at least twice or three times its production costs before it begins to show a profit. *Id.* Since the nature of the product makes it difficult to predict the profitability of a motion picture, the licensing procedure reflects an effort by the producer-distributor to shift some of the risk on to the exhibitors. *Id.* See also *Associated*, 520 F. Supp. at 974-77.

Licensing practices such as blind bidding have been controversial and subject to varying degrees of governmental scrutiny since the 1940s. *Allied*, 496 F. Supp. at 416. In 1948, the Supreme Court reviewed and approved a far-reaching judicial decree regulating such licensing practices. *United States v. Paramount*, 334 U.S. 131, 157 n.11 (1948) (reviewing a decree issued by the Federal District Court for the Southern District of New York). The decree permitted a theater owner to reject 20 percent of the films licensed through blind bidding. *Id.* Although relatively few new films were blind bid in the 1940s, the practice increased steadily, in part due to the producer-distributors' belief that it was a necessary tool to the profitable marketing of their product. *Allied*, 496 F. Supp. at 417. The practice of blind bidding, by assuring contractual agreements with theaters to show the picture on the dates specified, enables producer-distributors to release a film very soon after completion. *Id.* Distribution arrangements can be coordinated with advertising and promotion campaigns before the film is actually completed. *Id.*

In 1968 a new, more stringent decree imposed an upward limit on distributors of three films that could be blind bid per year. *United States v. Paramount Pictures*, Civil Action 87-273

picture distributors and the Copyright Revision Act.²²⁰ Since each case involved subject matter within the scope of copyright, satisfying the initial requirement of section 301,²²¹ the respective courts were required to consider their preemption analyses in light of that section.

In each case, the court examined a state law²²² regulating motion picture licensing practices that putatively created improper imbalances in the motion picture industry.²²³ Although only the Pennsylvania law included legislative

(S.D.N.Y. Aug. 14, 1968). This stipulation was subsequently extended for two additional two-year periods. *Id.* Upon expiration of the consent decree in 1975, however, the number of films blind bid each year increased dramatically. "By 1977, the year that the Ohio statute was introduced in the Ohio legislature, the plaintiffs were blind bidding from 60% (United Artists) to 91% (Columbia) of their first run releases." *Allied*, 496 F. Supp. at 417. As a result of the decreased bargaining power of the less concentrated exhibitors, states began to enact statutes designed to prohibit the use of other licensing power of the less concentrated exhibitors, states began to enact statutes designed to prohibit the use of other licensing, garnered 94.4% of industry revenues in 1978. *Id.* at 414. The remainder of films in the industry were produced and/or distributed by foreign companies known in the trade as "independents." *Id.* Thus, the motion picture distribution industry is a national unit, an important consideration when added to the fact that the purpose of copyright preemption was to establish an exclusively national system of copyright protection.

²²⁰ *Allied*, 496 F. Supp. at 441-48; *Associated*, 520 F. Supp. at 991-96. Each case also analyzed the respective state laws under the Constitution's commerce clause, first amendment, and due process requirement, as well as the federal antitrust laws. This note's focus, however, will be narrowly tied to the copyright issues presented. Section 301(d) of the federal copyright law forbids rights under other federal statutes to be limited by copyright. 17 U.S.C. § 301(d) (1976). See *supra* note 8 for text of section 301.

²²¹ See 17 U.S.C. §§ 301(a), 102(a)(6) (1976).

²²² Pennsylvania: Feature Motion Picture Fair Business Practices Law, 73 PA. CONS. STAT. ANN. §§ 203(1)-(11) (Purdon 1980); Ohio: OHIO REV. CODE ANN. §§ 1333.05-.07 (Baldwin 1978).

²²³ See 73 PA. CONS. STAT. ANN. § 203-2 (Purdon 1980). The preamble for the Pennsylvania statute provides:

The General Assembly of the Commonwealth of Pennsylvania finds and declares that the licensing and distribution of feature motion pictures to theatres in this Commonwealth, including the rights and obligations of distributors and exhibitors, vitally affects the general economy as well as the access of the public to works of artistic expression and opinion. In order to promote the public interest and public welfare of this Commonwealth to:

- (1) insure unabridged access for the public to artistic expression and opinion in feature motion pictures at reasonable prices and at many different locations;
- (2) avoid undue control of the exhibitors by the distributors;
- (3) foster vigorous and healthy competition in offering feature motion pictures for the benefit of the public by prohibiting practices through which fair and honest competition is restrained, destroyed or inhibited;
- (4) promote the wide geographical dissemination at reasonable prices to the public of ideas, opinions and artistic expression in feature motion pictures;
- (5) prevent delay in thasonable prices to the public of ideas, opinions and artistic expression in feature motion pictures;
- (6) prevent delay in th theatres from unnecessarily going out of business, thereby resulting in reducing the number of small independent businesses and unemployment with loss of tax revenues and other undesirable consequences
- (7) prevent unfair and deceptive acts or practices and unreasonable restraints of trade in the business of distribution and exhibition of feature motion pictures

findings and purposes as part of the statute,²²⁴ both statutes were aimed at correcting what the states' believed to be grave inequities in the marketplace.²²⁵ To make these corrections, both statutes forbid blind bidding by distributors.²²⁶ Both statutes also regulate the use of guarantees in licensing.²²⁷ The Ohio law prohibited distributors from conditioning the grants of a license agreement on a guarantee of a minimum payment to the distributor if the exhibitor was also required by the license agreement to make a payment based on box office receipts referred to as a "percentage payment."²²⁸ The Pennsylvania Act absolutely forbade guarantees in combination with percentage

within the Commonwealth;

(8) promote fair and effective competition in that business;

(9) benefit the movie going public by limiting the long and extensive first runs so that additional theatres, in a given area, may also exhibit the same feature motion pictures and at possibly a lower admission price; and

(10) prohibit blind bidding by insuring that exhibitors have the opportunity to view a motion picture and know its contents before committing themselves to exhibit it in their communities;

it is necessary to legislate regulations and standards pursuant to the exercise of the police power of this Commonwealth governing the relationship between feature motion picture distributors or licensors and exhibitors serving the public by establishing fair business practice procedures for the licensing and distribution of feature motion pictures within the Commonwealth and to provide remedies for the violation of this act, including damages and attorneys' fees.

Id.

The Ohio federal district court in *Allied* identified the purposes of OHIO REV. CODE ANN. §§ 1333.05-.07, the Ohio law at issue, to be "weighting a balance in aid of business in a weaker bargaining position and disturbing the status quo arrived at by unchecked market forces when they become destructive of fair dealing." *Allied*, 496 F. Supp. at 431.

²²⁴ See 73 PA. CONS. STAT. ANN. § 203-2 (Purdon 1980) quoted *supra* in note 233.

²²⁵ See *supra* note 223.

²²⁶ OHIO REV. CODE ANN. § 1333.06(A) (Baldwin 1978); 73 PA. CONS. STAT. ANN. § 203-4 (Purdon 1980). Blind bidding occurs when the exhibitor 'bids' on a motion picture license agreement without having the opportunity to view the picture prior to bidding. 73 PA. CONS. STAT. ANN. § 203(1) (Purdon 1980); OHIO REV. CODE ANN. § 1333.05 (Baldwin 1978).

²²⁷ OHIO REV. CODE ANN. § 1333.06(B) (Baldwin 1978); 73 PA. CONS. STAT. ANN. § 203-5 (Purdon 1980). A guarantee is a sum representing a minimum film rental payment an exhibitor promises to pay the distributor regardless of the financial success or failure of the motion picture. See, e.g., OHIO REV. CODE ANN. § 1333.05 (Baldwin 1978). All of the statutes cited *supra* note 218 define this term, and other terms used within the bidding process, in essentially identical definitions. In fact, the terms are largely "generic" terms in the motion picture industry. See Note, *Blind Bidding and the Motion Picture Industry*, 92 HARV. L. REV. 1128, 1129-31 (1980) [hereinafter cited as Note, *Blind Bidding*].

²²⁸ OHIO REV. CODE ANN. § 1333.06(B) (Baldwin 1978). A percentage requirement is a sum representing the film rental that the exhibitor promises to pay in the event a negotiated division of the box office receipts ("percentage") is greater than the "guarantee." The percentage of box office receipts forwarded to the distributors is set at an initially high rate (for a "sure hit" it may even be as high as 100%) and, after an agreed upon number of weeks decreases to some set percentage for the length of the run. The schedule of percentage charges is an important part of the exhibitor's bid.

The Ohio provision does not prohibit all guarantees in combination with percentage agreements. *Allied*, 496 F. Supp. at 445. It merely prevents a distributor from *requiring* the combination of guarantee and percentage payments to receive the license agreement. *Id.*

payments, even if the guarantees are not a condition of acceptance of the license by the exhibitor.²²⁹ Both statutes also restricted the use of advances.²³⁰ The Ohio statute proscribed advances due earlier than fourteen days prior to exhibition.²³¹ In the Pennsylvania statute advances were entirely forbidden.²³² The Pennsylvania law, unlike the Ohio statute, also mandated that a film be reoffered for licensing, and its run "expanded,"²³³ after forty-two days.²³⁴ Finally, both statutes prescribed the proper bidding procedure to be followed by outlining the steps a distributor must follow to license films in the respective states.²³⁵ The statutes were essentially identical in their bidding system requirements.²³⁶

Ohio and Pennsylvania motion picture distributors challenged on constitutional grounds the restrictive provisions of these statutes.²³⁷ The distributors claimed that the statutes impermissibly restricted their right, as holders of copyright, to distribution under federal copyright law.²³⁸ Since the statutes did affect federal copyright distribution rights,²³⁹ the court in each case was forced to examine the state law in light of the preemption objectives of the Copyright Revision Act.²⁴⁰

In *Allied*, the federal district court determined that the Ohio statute was not preempted.²⁴¹ The court observed that the decision to preempt was

²²⁹ 73 PA. CONS. STAT. ANN. § 203-5 (Purdon 1980). In *Associated*, the district court placed great emphasis on this distinction between the Ohio and Pennsylvania statutes. In fact, the court implied that without this distinction the court might have come to a contrary decision about the Pennsylvania statute's constitutionality. *Associated*, 520 F. Supp. at 994.

²³⁰ OHIO REV. CODE ANN. § 1333.06(C) (Baldwin 1978); 73 PA. CONS. STAT. ANN. § 203-6 (Purdon 1980). An advance is the amount of a film rental price that the exhibitor will pay the distributor before actual exhibition.

²³¹ OHIO REV. CODE ANN. § 1333.06(C) (Baldwin 1978).

²³² 73 PA. CONS. STAT. ANN. § 203-6 (Purdon 1980).

²³³ A "run" refers to the exhibition of a film for a period of time in a specific theater. *See, e.g.,* OHIO REV. CODE ANN. § 1333.05 (Baldwin 1978). Thus a "first run theater" is a theater that is showing a film, either exclusively or concurrently with another "first run theater," for the first time in that geographical area. *See id.* In an "exclusive" first run, the exhibitor is guaranteed by the distributor freedom from competition with theaters showing the same motion picture within an agreed upon geographical area. *Id.* When the first run (exclusive or otherwise) is "expanded" it is offered to a larger number of theaters, thereby defeating any possible exclusivity, and increasing the competition between theaters. *See id.*

²³⁴ 73 PA. CONS. STAT. ANN. § 203-7 (Purdon 1980).

²³⁵ OHIO REV. CODE ANN. § 1333.07(A)-(F) (Baldwin 1978); 73 PA. CONS. STAT. ANN. § 203-8 (Purdon 1980). These bidding requirements are primarily a means to assure that the parties are dealing fairly and that each party can confirm the fair practices of the other. Their effect, however, is a restriction on the licensor's control and its freedom to license.

²³⁶ Compare OHIO REV. CODE ANN. § 1333.07 (Baldwin 1978) and 73 PA. CONS. STAT. ANN. § 203-8 (Purdon 1980).

²³⁷ *Allied*, 496 F. Supp. at 413; *Associated*, 520 F. Supp. at 973.

²³⁸ *Allied*, 496 F. Supp. at 413; *Associated*, 520 F. Supp. at 973. *See* 17 U.S.C. § 106(3) (1976).

²³⁹ *See* 17 U.S.C. § 106(3) (1976).

²⁴⁰ *Allied*, 496 F. Supp. at 443-47; *Associated*, 520 F. Supp. at 992-93. *See* 17 U.S.C. § 301(a) (1976). *See supra* note 8 for text of section 301(a).

²⁴¹ *Allied*, 496 F. Supp. at 447-48.

necessarily based on "whether, under the circumstances of [a] particular case, [the state's] law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress."²⁴² The *Allied* court then interpreted section 301 to require an initial inquiry into the question of "whether the Ohio Act creates, grants, or destroys any rights that are 'equivalent' to the exclusive rights of copyright set forth [in the federal statute]."²⁴³ Thus, the court reasoned, a state statute which created rights that could be violated by the mere act of reproduction, distribution, performance, or display (the exclusive rights granted by federal copyright law) would be preempted by the federal statute.²⁴⁴

Applying this reasoning, however, the *Allied* court found that because the Ohio statute did not deprive motion picture copyright owners of the right to *prohibit* distribution,²⁴⁵ the state law was not preempted.²⁴⁶ In the court's opinion, rather than frustrating the congressional objectives embodied in the Copyright Revision Act, restrictions placed on the right of distribution by the state law actually "further[ed] the wide dissemination of copyrighted works and thereby its primary object,"²⁴⁷ "to advance the public welfare through the talents of authors."²⁴⁸ The court's analysis proceeded largely from its conclusion that the distributors' objections to the Ohio law were based on the erroneous premises that the copyright conferred on its owner the right to dispose of its subject matter on optimal terms, and that the fundamental purpose of the copyright laws was to reward the owner.²⁴⁹ The court reasoned that such premises were incorrect because the fundamental purpose of copyright was described in the Constitution as the promotion of the "progress of Science and the Useful Arts."²⁵⁰ The *Allied* court recognized "that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors,"²⁵¹ but it emphasized the secondary nature of personal reward by citing to a Supreme Court decision that identified reward to the owner as a secondary consideration under copyright law.²⁵² The *Allied* court

²⁴² *Id.* at 441 (quoting *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941)).

²⁴³ *Id.* at 443.

²⁴⁴ *Id.* (citing 1 NIMMER, *supra* note 24, at 1-11).

²⁴⁵ *Id.*

²⁴⁶ *Id.* at 447-48.

²⁴⁷ *Id.* at 448.

²⁴⁸ *Id.* at 446 (quoting *Mazer v. Stein*, 347 U.S. 201, 219 (1954)).

²⁴⁹ *Id.* at 446. An obvious objection to the court's reasoning is that the right-to-dispose premise does not arise from concern for "optimum conditions," but rather from concern over the interference with the grant of exclusive *control* over the means of distribution guaranteed by 17 U.S.C. § 106(3) (1976), which the Ohio law takes away.

²⁵⁰ *Allied*, 496 F. Supp. at 446 (quoting U.S. CONST., art. I, § 8, cl. 8).

²⁵¹ *Allied*, 496 F. Supp. at 446-47 (citing *Mazer v. Stein*, 347 U.S. 201, 219 (1954)).

²⁵² *Allied*, 496 F. Supp. at 447-48 (citing *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 158 (1948)). The *Allied* court did not consider the relative importance of the subsidiary goals of section 301, even though the state regulation arguably interfered with the goal of uniform federal protection. Depending on the state, distribution rights of motion picture distributors may vary. See Note, *Blind Bidding*, *supra* note 227, at 1146. The author suggests that if a state can

concluded that due to the secondary nature of the "reward," interference was permissible so long as the primary goal — the promotion of artistic endeavor — was not also obstructed.²⁵³ The court therefore held that since no such interference with the primary goal was involved, the Ohio law should not be preempted.²⁵⁴

Conversely, in *Associated* the district court held that the Pennsylvania statute was preempted.²⁵⁵ The preemption analysis in *Associated* was initiated in the same way as the *Allied* analysis.²⁵⁶ The *Associated* court reasoned that the task in preemption analysis was to determine whether the state's law stood as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.²⁵⁷ The *Associated* court noted the relevance of the *Allied* precedent.²⁵⁸ In particular, the *Associated* court deemed correct the *Allied* court's preemption standard — whether the state legislation "grants, creates, or destroys" rights equivalent to those of copyright.²⁵⁹ Rather than apply this standard, however, the *Associated* court suggested that it need not consider statutory preemption under section 301. Instead, the court declared that the "more general question of conflict between the two statutory schemes under the supremacy clause is decisive."²⁶⁰ According to the court, limiting the exercise of federally created rights was by itself an obstacle to the purpose and objectives as expressed in the Copyright Revision Act as a whole.²⁶¹ To reach this conclusion, the court examined the constitutional provision governing copyrights and then considered the Copyright Revision Act itself.²⁶² Section 301, the court reasoned, established that Congress "unmistakenly ordained" the federal statutory scheme of copyright as governing law.²⁶³

regulate trade screenings, there would appear to be no reason why its political subdivisions could not do so as well, thus increasing the burdensome effects of trade screening on a national industry. *Id.* See generally *National Bellas Hess, Inc. v. Department of Revenue*, 386 U.S. 753, 759-60 (1967).

²⁵³ *Allied*, 496 F. Supp. at 443-45.

²⁵⁴ *Id.* at 447-48.

²⁵⁵ *Associated*, 520 F. Supp. at 993.

²⁵⁶ *Id.* at 991-92.

²⁵⁷ *Id.* at 992.

²⁵⁸ *Id.* at 993.

²⁵⁹ *Id.*

²⁶⁰ *Id.*

²⁶¹ *Id.* at 993-94.

²⁶² *Id.* at 992-93.

²⁶³ *Id.* at 992. See H.R. REP. 1476, *supra* note 5, at 130, 1976 U.S. CODE CONG. & AD. NEWS at 5746. The *Associated* court expanded on its reasoning in a textual footnote: *Morseburg v. Balyon*, 621 F.2d 972 (9th Cir.), *cert. denied*, 449 U.S. 983 . . . (1980) in which this principle—that whether a particular conflict between state and federal laws will be found tolerable or unconstitutional normally depends upon the relative strength and nature of the federal and state interests involved—recently was discussed. The Court of Appeals rejected the argument that a state transfer tax on royalties should be preempted under the former Copyright Act. The Court observed that when the "area of occupation" is peculiarly federal, or nationwide in its con-

The court observed that both the Constitution and interpretations of it by the Supreme Court have considered reward to the author "the best way to advance public welfare through the talents of authors."²⁶⁴ The enumeration of specific, protected rights in section 106 of the Copyright Act was viewed by the court as a codification of the best means of furthering the mandate in the Constitution's copyright clause.²⁶⁵ The court determined that although the Pennsylvania law did not prohibit the grant of a copyright under federal laws or establish a competing copyright system or equivalent rights under state law, its provision did substantially restrict the conditions under which a copyright holder could distribute and license his work.²⁶⁶ The *Associated* court noted that the Ohio law in *Allied* had been upheld, but reasoned that the Pennsylvania statute was more restrictive, and thus differed sufficiently to warrant a different result.²⁶⁷ The *Associated* court held that the Pennsylvania statute's limitation upon the duration of a license, the distributors' right to license, its prohibition of guarantees and advances, and its bar against licensing or negotiations prior to screening, as well as against consummating a license without complying with the rebidding requirements, all directly, and severely, restricted the rights of the copyright owner.²⁶⁸ The court therefore concluded that the state law "stood as an obstacle" to the accomplishment of the congressional objectives, and was preempted.²⁶⁹ Thus, according to the court section 301 was not the basis for the *Associated* court's preemption;²⁷⁰ conflicts between state and federal statutory schemes mandated the state scheme's preemption.²⁷¹

cern, the Supreme Court has emphasized the national interest and has found preemption: "Certain basic doctrinal notions repeatedly are used in applying preemption. Thus the extent to which the federal law has occupied the field and the presence of 'conflict' between the federal and state law have always been focuses of analytic attention. The nature of the Court's emphasis at a particular time is revealed by whether 'occupation of the field' and 'conflict' are easily found to exist or not. 'Occupation' can require no more than the existence of a federal law generally applicable to a significant portion of the area in question to no less than an express statement demonstrating an intention to occupy the field duly enacted by Congress. 'Conflict, likewise, can require no more than a mechanical demonstration of potential conflict between federal and state law to no less than a showing of substantial frustration of an important purpose of the federal law by the challenged state law.'" 621 F.2d at 976.

Recently, in *McCarty v. McCarty* . . . the Court held that even in the area of domestic relations, which "belongs to the laws of the States and not to the laws of the United States. . . ." In *re Burrus*, 136 U.S. 586, 593-94, . . . (1890) . . . a state's community property laws must give way to federal law as enacted in military retirement statutes.

Associated, 520 F. Supp. at 992 n.36.

²⁶⁴ *Associated*, 520 F. Supp. at 993 (quoting *Mazer v. Stein*, 347 U.S. 201, 219 (1954)).

²⁶⁵ *Id.*

²⁶⁶ *Id.* at 994.

²⁶⁷ *Id.* at 994-95.

²⁶⁸ *Id.* at 995-96.

²⁶⁹ *Id.*

²⁷⁰ *Id.* at 996.

²⁷¹ *Id.*

In summation, the court in *Allied* held that the Ohio law was not preempted because the statute did not establish equivalent rights that "prohibited reproduction, distribution, performance, or display," in violation of section 301.²⁷² In addition, the *Allied* court held the state law did not interfere with the full objectives and purposes of the federal copyright act, and hence was a permissible exercise of state control of an intra-state market. The court found that in fact the state statute at issue furthered those objectives and purposes more effectively than federal copyright law.²⁷³ In contrast, the *Associated* court held that the Pennsylvania law was preempted. The *Associated* court's holding, however, was not based on a section 301 analysis, but instead on the reasoning that the Pennsylvania law established a state regulatory scheme which by restricting federal rights conflicted with the federal regulatory scheme. The court determined that this conflict was an obstacle to the full purposes and objectives of Congress and therefore held it impermissible.²⁷⁴ An examination of the differences in the analyses and conclusions of these two decisions brings to light the difficulties presented by applications of section 301.

2. The Alternative Analyses of Section 301 Leading to Different Conclusions

Given the strikingly similar nature of the state statutes in *Allied* and *Associated*,²⁷⁵ congruent analyses and conclusions reasonably might have been expected. Yet, they were not forthcoming.²⁷⁶ A close inspection and comparison of the courts' reasoning indicates that the courts differed on three crucial points. First, the courts reached opposing conclusions respecting the preemptive effects of non-primary goals, or congressional "means." Second, the courts interpreted Supreme Court precedent differently. Finally, the courts implicitly disagreed on the presumption — federal or state — to be employed under section 301. The divergent analyses used by the courts not only demonstrate the serious interpretational problems left in the wake of section 301's enactment, but also typify the absence of uniformity extant under the preemption section.

a. *The Preemptive Effect of Non-Primary Federal Goals*

Associated's analysis relied more heavily on section 106's articulation of protected federal rights than did the *Allied* analysis. *Associated* did not define the state law as establishing "equivalent rights." The court's holding, based instead upon the federal statute²⁷⁷ and the House Judiciary Committee's

²⁷² *Allied*, 496 F. Supp. at 443.

²⁷³ *Id.* at 447-48.

²⁷⁴ *Associated*, 520 F. Supp. at 995-96.

²⁷⁵ See *supra* notes 222-36 and accompanying text.

²⁷⁶ See *supra* notes 240-70 and accompanying text.

²⁷⁷ 17 U.S.C. § 106(3) (1976).

notes,²⁷⁸ was that state regulation limiting the rights of distribution and control interfered with the essence of the federal copyright grant and with the achievement of the congressional objectives.²⁷⁹ The *Associated* court's decision was founded primarily on the premise that Congress had enacted an elaborate scheme of copyright protection (the "means") to achieve its constitutional goal (the "ends").²⁸⁰ Thus, the *Associated* court concluded that significant restrictions placed on the congressional "means," in an area as pervasively national in scope as copyright law,²⁸¹ was an inappropriate state action.²⁸² In contrast, the *Allied* court placed a lesser emphasis on both the integrity of the federal statutory scheme of copyright protection and the author's economic reward as a part of that scheme.²⁸³ The court reasoned that since authorial reward was only a "means" to the primary goal, and therefore of secondary importance, interference with the "means" was permissible so long as it was not an obstacle to the fundamental purpose of copyright.²⁸⁴ Thus the courts failed to agree on an essential aspect of preemption analysis, amount of interference required for preemption to occur. As part of this "interference" analysis, courts need to agree on whether the interference restriction refers to only primary constitutional goals, or also includes more subservient, statutory goals intended to achieve the ultimate constitutional ends.

The decisions in *Allied* and *Associated* presented two distinct interpretations of the function and importance of section 301, which, in addition to creating a situation that defies the federal statute's objective of uniformity, reflect significant analytic problems inherent in the preemption section. In *Allied*, the court

²⁷⁸ H.R. REP. 1476, *supra* note 5, at 62, 1976 U.S. CODE CONG. & AD. NEWS at 5675, cited in *Associated*, 520 F. Supp. at 994. The *Associated* court declared:

[An author has the right] . . . to distribute [his works] . . . by rental, lease, or lending . . . [H.R. Rep. 1476]. Clearly, the committee viewed the right to license as an essential element of the copyright itself . . . furthermore, the same committee notes make clear the congressional intent that 'the copyright owner would have the right to control the first public distribution of an authorized copy of his work whether by sale, gift, loan, or some rental or lease arrangement . . . the choice clearly being the copyright holder's.

Id.

²⁷⁹ *Associated*, 520 F. Supp. at 994.

²⁸⁰ *Id.* at 992-93.

²⁸¹ It is important to note that motion picture distribution is a national enterprise. Although some exhibitors are only concerned with local exhibition, there are national theater chains. *Allied*, 496 F. Supp. at 414. The major production companies (plaintiffs in both *Allied* and *Associated* comprised 94.4% of industry revenues in 1978) target their pictures for national release. *Id.* at 414-15. State regulation, therefore, allows for a partial return to the dual system the 1976 Act was designed to abandon, because the distribution of films is governed by both federal copyright and state regulatory law. *Id.* Although the distribution companies have thus far been able to work within the limits of the state statutes, their federally protected rights should not be ignored. *Id.* at 420-24. See also Note, *Blind Bidding*, *supra* note 252, at 1146, where the author suggests other possible dangers of expansive state regulation of a national industry.

²⁸² *Associated*, 520 F. Supp. at 993, 995-96.

²⁸³ *Allied*, 496 F. Supp. at 444-47.

²⁸⁴ *Id.* at 443-45.

emphasized that interference with the secondary goal of authorial gain was not sufficient for preemption unless that interference also presented an obstacle to the primary constitutional objectives and purposes of copyright protection.²⁸⁵ This emphasis by the *Allied* court, however, failed to appreciate that, while certainly not the primary purpose of copyright, the copyright owner's control and reward are clearly central to achievement of the primary purpose.²⁸⁶ Authorial monopolistic control and economic reward, in other words, constitute the congressionally determined means to the constitutional objective of fostering artistic endeavor.²⁸⁷ Although it seems improbable that the *Allied* court meant to establish different standards of interference necessary for preemption dependent upon the level (primary or secondary) of the congressional purpose at stake, the court's failure to discuss the equal importance of the "secondary purpose," embodied in the subsections of the Copyright Revision Act, suggests that the court felt bound only to ensure that the Ohio law did not disrupt the achievement of a primary purpose. The *Allied* court's failure to consider adequately the ramifications of interference with a secondary purpose, therefore, could be characterized as "second guessing"²⁸⁸ Congress by permitting substitution of what the Ohio legislature considered a more effective law. This seems to ignore section 301's implicit suggestion that the federal government's decision was determinative. As such, the *Allied* court's reasoning was at least incomplete and perhaps erroneous since any displacement of a congressional "means," whether achieved by drawing a corresponding statute more narrowly or more broadly, seems to be a displacement of congressional judgment.

In an area such as copyright law, where an important goal is national uniformity,²⁸⁹ such a displacement could well be considered state usurpation of federal powers, clearly an improper state action.²⁹⁰ Thus, *Allied's* failure to ad-

²⁸⁵ *Id.* at 446-48.

²⁸⁶ Indeed, the Supreme Court has recognized the importance of financial reward. "[Congress believed that] encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors. . . ." *Mazer v. Stein*, 347 U.S. 201, 219, *reh'g denied*, 347 U.S. 949 (1954). Moreover, in *Goldstein v. California*, 412 U.S. 546, 555 (1973), the Court, interpreting a forerunner of the current federal copyright law, explained that "to encourage people to devote themselves to intellectual and artistic creation, Congress may guarantee to authors and inventors a reward in the form of control over the sale or commercial use of copies of their works." *Id.*

²⁸⁷ *Mazer v. Stein*, 347 U.S. 201, 219 (1954), *reh'g denied*, 347 U.S. 949 (1954).

²⁸⁸ "Second guessing" in this sense means that the state does not consider the unregulated nature of the distribution rights protected by section 106 to be essential to the federal statutory scheme. States, however, should be wary of actions that could be characterized as second guessing. See J. NOWAK, CONSTITUTIONAL LAW 270 (1979) [hereinafter cited as NOWAK]. A state legislature's belief that the primary federal goal could be better achieved through a more restrictive state statute should not be persuasive. See *Associated*, 520 F. Supp. at 993-94. Instead the states should defer to congressional determinations when the state statute interferes significantly with the federal "means." NOWAK at 269.

²⁸⁹ See *supra* notes 144-51 and accompanying text.

²⁹⁰ See generally, 2A SANDS, *supra* note 3, at ch. 53.01-.05, 55.01-.08. Although analogies are of limited value in interpretive analysis, they can perhaps show courts' relative respect for statutory schemes. In areas of law other than copyright, courts have refused to allow states to

dress this danger of state usurpation is perhaps the most serious flaw in the court's analysis. While the court properly identified the final question in preemption analysis as whether the state statute "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress,"²⁹¹ there was a distinct failure on the part of the court to appreciate fully the existence and importance of purposes and objectives beyond, although subservient to, an explicit constitutional goal. In the 1976 Copyright Revision Act, Congress established a pervasive scheme of national copyright protection.²⁹² The legislative histories of both the 1976 Act and its predecessor, as well as the relevant Supreme Court pronouncements under both federal acts, demonstrate that, whereas the public interest in the dissemination of copyrighted material is the paramount constitutional goal,²⁹³ the Supreme Court has recognized, and is in agreement with the congressional determination, that "encouragement of individual effort by personal gain is the best way to advance the public welfare through the talents of authors."²⁹⁴ Although a state legislature may believe that its "means" (e.g. a more restricted right of distribution) better serves the ultimate purpose of the federal act, the state must defer to the federal method.²⁹⁵ To do otherwise would be to ignore the most basic principles of preemption analysis.²⁹⁶ *Allied's* "short answer" to the contention that state regulation limiting an author's economic reward and control should be preempted was that the copyright scheme failed to impair the state's right to enact laws in areas that affect copyright, but were not "equivalent" to the federal laws.²⁹⁷ The *Allied* court stated further that there was nothing in

displace particular aspects of a congressional scheme. *E.g.*, *Kennecott Corp. v. Smith*, 637 F.2d 181 (3d Cir. 1980). In *Kennecott*, the New Jersey Takeover Bid Disclosure Law, which delayed the commencement of tender offers, conflicted with a five-day waiting period regulation in S.E.C. Rule 14(d)-2. *Id.* at 191. The Third Circuit concluded that "Congress has declared what procedure is most salutatory in tender offer situations. *Id.* at 190. Thus, the appeals court preempted the conflicting state procedure. *Id.* Similarly, the Pennsylvania Takeover Disclosure Act imposed a time period that conflicted with the time period imposed by federal law. *Crane Co. v. Lam*, 509 F. Supp. 782, 788 (E.D. Pa. 1981). In *Crane*, the district court decided that despite the state's contention that the state law had furthered the congressional objective, the state could not interfere with the congressional determination of the "best" means to the objective of securities tender offer regulation. *Id.* These cases serve to demonstrate that courts have been unwilling to accept a state determination that there is a "better" way to achieve a federal objective.

²⁹¹ *Allied*, 496 F. Supp. at 991-92 (citing *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941)).

²⁹² H.R. REP. 1476, *supra* note 5, at 129, 1976 U.S. CODE CONG. & AD. NEWS at 5745.

²⁹³ *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932).

²⁹⁴ *Mazer v. Stein*, 347 U.S. 201, 219 (1954), *reh. denied*, 347 U.S. 949 (1954).

²⁹⁵ *Sperry v. Florida*, 373 U.S. 379, 401-03 (1963) (although concern for citizens' protection proper motive, state's interests could not override what Congress had deemed necessary and proper to accomplishment of objective).

²⁹⁶ Preemption occurs when a state Act "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress." *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941). The language "full purposes and objectives" does not distinguish between primary and secondary objectives.

²⁹⁷ *Allied*, 496 F. Supp. at 444. *Allied* used the "extra element" test, *see supra* notes 170-174 and accompanying text, to distinguish equivalent from non-equivalent rights. *Id.* The

federal copyright law prohibiting the state from exercising its police powers to rectify a market situation perceived as inequitable.²⁹⁸ The federal act, however, allows such state law rectification only if it is within the confines of section 301(b).²⁹⁹ All state actions that obstruct any goal or objective (or any means to a goal or objective) of the federal law, or fall within the ambit of section 301(a), are prohibited.³⁰⁰ The essential question concerning state regulation thus becomes whether the state acts are permissible police actions or whether the uninhibited control of a national interest is central to the achievement of the desired national uniformity in copyright law, as a means to the ultimate constitutional goal.³⁰¹

b. *The Use of Supreme Court Precedent*

The second conceptual difficulty evidenced by *Allied* and *Associated* concerned the courts' use of Supreme Court precedent. *Allied's* rationale for allow-

Allied court, however, did recognize that there are other areas of federal concern where the supremacy clause prohibits states from placing restrictions on the exercise of federally created rights. *Id.* at 444-45. Thus, for example, a state may not require compulsory arbitration if to do so would infringe on the federally protected right to strike. *Amalgamated Street Employees v. Wisconsin Employment Relations Board*, 340 U.S. 383, 398-99 (1951). Also, a state rule of procedure can not constitutionally divest a litigant of a right to a jury trial granted by a federal statute. *Rice v. Akron, Canton and Youngstown R.R.*, 342 U.S. 359, 369-70 (1952). Of particular interest in this respect is a passage from a Florida case in which the Supreme Court struck down state restrictions on a nonlawyer's right to practice before the Patent Office. *Sperry v. Florida*, 373 U.S. 379 (1963). The Court held:

A state may not enforce licensing requirements which, though valid in the absence of federal regulation . . . impose upon the performance of activity sanctioned by federal license additional conditions not contemplated by Congress. No State law can hinder or obstruct the free use of a licence granted under an act of Congress.

Id. at 385. The *Allied* court distinguished *Sperry v. Florida* on the grounds that the precedent was concerned with the federally endowed license to practice patent law under certain circumstances, and did not stand for a proposition that no state may regulate the sale or licensing of patented articles in commerce. *Allied*, 496 F. Supp. at 445 n.19. While this distinction is important, the Supreme Court's emphasis on the state's inability to restrict congressional "means" should be analogous to the present situation.

The *Allied* court also cited *Remick Music Corp. v. Interstate Hotel Co.*, 58 F. Supp. 523 (D. Nev. 1944), *aff'd*, 157 F.2d 744 (8th Cir. 1946), *cert. denied*, 329 U.S. 809 (1947), in which Nebraska legislation regulating monopolization of sheet music distribution was struck down as violative, in part, of the former federal Copyright Act. *Id.* at 544-45. The *Remick* court was faced with a statute that compelled the copyright owner to offer it for sale in a certain way or risk losing the copyright without compensation. *Id.* at 543. Thus, the law in *Remick* was in many ways similar to the Ohio and Pennsylvania laws which compel the copyright owner to offer motion pictures for lease in a certain way, or lose the right to distribute the work at all. The *Allied* court distinguished *Remick* on the fact that in *Remick* the court's concern was with the absolute forfeiture of the federally protected right worked by the state statute, a provision not present in the Ohio statute. *Allied*, 496 F. Supp. at 445 n.19.

²⁹⁸ *Allied*, 496 F. Supp. at 447.

²⁹⁹ H.R. REP. 1476, *supra* note 5, at 131-32, 1976 U.S. CODE CONG. & AD. NEWS at 5746-48.

³⁰⁰ The ambit of § 301(a) involves "all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright. . . ." 17 U.S.C. § 301(a) (1976).

³⁰¹ See generally, *Sperry v. Florida*, 373 U.S. 379, 401-03 (1963).

ing the Ohio statute to regulate motion picture distribution depended in part on examples of other state regulations affecting copyright that were upheld by the Supreme Court.³⁰² The cases relied upon by the court in *Allied*, however, were precisely the exceptions to federal regulation that are provided for within section 301.³⁰³ In contrast, the statutes in *Allied* and *Associated* do not fit within the statutory exceptions to preemption.³⁰⁴ Whereas neither act deprived motion picture copyright owners of the right to prohibit distribution,³⁰⁵ the two acts did "create" and "grant" a new, more restricted right of distribution.³⁰⁶

Alternatively, the statutes in *Allied* and *Associated* can be seen to have "destroyed" the federal, unrestricted right of distribution, and thereby violated section 301.³⁰⁷ *Allied*'s failure to recognize the unrestricted right's "destruction" can be explained in part by the court's definition of the copyright owner's right of distribution.³⁰⁸ The right was couched in negative terms by the court, i.e., "the right to prohibit distribution."³⁰⁹ This definition appears to avoid the issue of whether the state can significantly restrict the

³⁰² E.g., *Watson v. Buck*, 313 U.S. 387, 404 (1941); *Interstate Circuit v. United States*, 306 U.S. 208, 230 (1939); *Fox Film v. Doyal*, 286 U.S. 123, 128 (1932). In *Watson v. Buck* the Supreme Court rejected claims that the exclusive right of distribution granted by Congress in federal copyright law included the exclusive right to distribute it in the manner deemed most desirable by the copyright holder. *Watson v. Buck*, 313 U.S. at 404. *Watson v. Buck*, however, should be limited to cases where copyright owners combine to fix prices or to implement licensing practices in violation of otherwise valid federal laws. See *id.* The 1976 Copyright Revision Act codified the limited reading of *Watson v. Buck* in 17 U.S.C. § 301(d) (1976), but fails to necessarily apply to Ohio and Pennsylvania laws, since the practices of the distributor's do not appear to violate other federal laws.

In *Interstate Circuit* the Supreme Court held that the existence of a copyright does not permit its owner to contract in ways that suppress competition in violation of federal antitrust laws. *Interstate Circuit*, 306 U.S. at 230. Similarly, ownership of a copyright does not entitle a company to abuse the market power it obtains thereby by engaging in a *per se* illegal arrangement. See, e.g., *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 156-57 (1948) (price fixing); *Watson v. Buck*, 313 U.S. at 404 (fraudulent or deceptive practices).

In *Fox Film* the Supreme Court upheld a state's direct taking—by imposition of a tax—of royalties derived from federal copyrights. 286 U.S. at 128. *Fox Film*, however, should only stand for the proposition that a nondiscriminatory state gross receipts tax of general application may be applied to revenues received from copyright licensing. See *Associated*, 520 F. Supp. at 995. Its circumstances are not comparable to the Ohio and Pennsylvania statutes' direct regulation of licensing terms and interference with licensor control of commercial use. *Id.*

These cases have been in large part codified in 17 U.S.C. § 301(d) (1976). See *supra* note 8 for text of section 301.

³⁰³ 17 U.S.C. § 301(d) (1976) provides that "nothing in this title annuls or limits any rights or remedies under any other federal statute."

³⁰⁴ *Id.* See also *supra* note 8.

³⁰⁵ *Allied*, 496 F. Supp. at 447-48.

³⁰⁶ This right arises out of both the denials of certain licensing practices and the requirements of the new bidding procedures. See *supra* notes 222-40 and accompanying text.

³⁰⁷ Cf. *Sperry v. Florida*, 373 U.S. 379 (1963) (state law restricted nonlawyer's right to practice before the Patent Office). But see *Allied*, 496 F. Supp. at 445 n.19 (distinguishing a federally endowed right to practice law from patent rights).

³⁰⁸ *Allied*, 496 F. Supp. at 443. See 1 NIMMER, *supra* note 22, at 1-11.

³⁰⁹ *Allied*, 496 F. Supp. at 443.

distributor's right to distribute the copyrighted work. The dissemination of information, not the restriction of it, is the central purpose of the Copyright Act.³¹⁰ The *Allied* court failed to emphasize the more essential right to disseminate copyrighted works. Additionally, whereas the right to prohibit distribution is indeed a right of the copyright owner, an emphasis on that right, without equal emphasis on its converse, suggests a broad state power to restrict and regulate the federally granted rights. Taking *Allied*'s reasoning to its extreme, if states were only restricted from forcing copyright owners to distribute, states could legislate to so limit the right to distribution as to prevent distribution completely without transgressing federal copyright law guarantees.

c. *The Use of Presumption*

A final conceptual problem presented by *Allied* and *Associated* involved the implicit presumption each court used. Legislative history strongly suggests that section 301 codified the federally presumptive aspect of the preemption analysis in *Sears/Compco*.³¹¹ The *Goldstein/Kewanee* trend towards state presumptive preemption analysis in place immediately prior to enactment of section 301, therefore, arguably was rejected.³¹² *Goldstein* had suggested a requirement of specific congressional intent for "occupation."³¹³ *Goldstein*'s requirement of congressional occupation, however, was largely satisfied by section 301.³¹⁴ The

³¹⁰ H.R. REP. 1476, *supra* note 5, at 130, 1976 U.S. CODE CONG. & AD. NEWS at 5745.

³¹¹ See *supra* notes 56-141 and accompanying text.

³¹² *Id.*

³¹³ The Supreme Court made this implication explicit in *New York State Department of Social Service v. Dublino*, 413 U.S. 405 (1973). As stated by The *Dublino* Court:

If Congress is authorized to act in a field, it should manifest its intention clearly. It will not be presumed that a federal statute was intended to supersede the exercise of the power of the state unless there is a clear manifestation of an intention to do so.

The exercise of federal supremacy is not lightly to be presumed.

Id. at 43 (quoting *Schwartz v. Texas*, 344 U.S. 199, 202-03 (1952)).

³¹⁴ One commentator, however, has proposed another, interpretation of the effect of section 301 on *Goldstein* and *Kewanee*. See Goldstein, *Preempted State Doctrines*, *supra* note 19, at 1122-23. In his article, Professor Paul Goldstein identified *Goldstein* and *Kewanee* as offering some "methodological guidelines for deciding hard cases" that remain consistent with section 301. *Id.* The *Goldstein* opinion, Prof. Goldstein suggests, allows states to protect subject matter not protected by copyright, i.e., those areas that section 301 leaves open to state jurisdiction. *Id.* at 1122. The *Goldstein* Court's analysis would allow the states to protect those items excluded from copyright protection by section 102(b). *Id.* *Kewanee*, he suggests, offers techniques for applying section 301's "equivalent to any of the exclusive rights within the scope of copyright" condition. *Id.* The Court's method was to determine the validity of the state doctrine by comparing the respective economic objectives and effects of the state and federal laws. *Id.* Taking this approach will require, Prof. Goldstein suggests, that some factually grounded questions be asked in a dispute over a state doctrine, namely, Does the state law offer protection as rigorous as that offered by the copyright law? and Is the state law likely to divert investment away from the objectives and limits set by copyright and toward those set by other, conflicting systems? *Id.* at 1123.

Sears and Compco, according to Prof. Goldstein, were overly conceptual and ambitious in their extension of copyright and patent law into areas where they have no functionally or historically proper place. *Id.* He suggests that since section 301 gives the same kind of terms,

primary purpose for the Copyright Revision Act and section 301 was the desire to replace the dual system of federal and state copyright regulation.³¹⁵ The consequent loss of states' power to legislate was both foreseen and intended by Congress.³¹⁶ In this respect, Congress, while recognizing the inequities inherent in authorial monopoly, made a conscious decision that granting this monopoly was the most efficient means to the constitutional ends.³¹⁷ Within the parameters of section 301, then, states have been preempted from legislating in areas that seriously affect copyright law.³¹⁸ The legislative history and language of section 301, therefore should convince the courts to approach copyright preemption with a federal presumption when a state law seriously affects federally protected rights.

In effect, the statutes in Ohio and Pennsylvania created a comparable but limited right of distribution.³¹⁹ The states allowed distributors to license, but only if they conformed with the rules and regulations of the respective distribution laws. Under the federal law, however, the right of distribution had been entirely without regulation. Thus, the *Allied* court's failure to preempt the Ohio statute has allowed state regulation that significantly restricts this federally granted right. The *Allied* court's analysis resembles a state presumptive preemption analysis because it appears to allow state interference with federal rights unless the federal right is explicitly protected from such interference. Section 301, however, arguably incorporated an intent to return to a federally

Goldstein and *Kewanee* did more than refine the methodology of *Sears* and *Compco*; they also "restored the federal laws to their historically limited ambit and renewed the vigor of state doctrines." *Id.* at 1123.

The most serious problems with this argument is its primary premise that state rights were necessarily meant to be strengthened by section 301. The loss of common law rights and the enunciation of a congressional goal of uniformity through section 301, however, raise a serious question whether in defining the extent of preemption Congress intended to codify the *Goldstein* analysis of strengthened state powers, or to return to a more federally oriented analysis akin to that found in *Sears* and *Compco*. Legislative history suggests that the *Sears/Compco* approach was to be revived. H.R. REP. 1476, *supra* note 5, at 132, 1976 U.S. CODE CONG. & AD. NEWS at 5747. *Goldstein* is never mentioned in that history, and the language of the statute intimates federal occupation, a major requirement of the *Goldstein* Court. See *Goldstein*, 412 U.S. at 552. Moreover, the deletion of the illustrative examples from section 301 for fear of leaving courts with an opportunity to nullify the preemption section, see *supra* notes 201-03 and accompanying text, buttresses the conclusion that Congress meant *Sears* to be followed and *Goldstein* to be abandoned. In addition, *Goldstein* and *Kewanee* could not consider the integrity of the national copyright scheme embodied in the 1976 legislation.

³¹⁵ See H.R. REP. 1476, *supra* note 5, at 129, 1976 U.S. CODE CONG. & AD. NEWS at 5745.

³¹⁶ *Id.*

³¹⁷ *Mazer v. Stein*, 347 U.S. 201, 210 (1954), *reh. denied*, 347 U.S. 949 (1954).

³¹⁸ The difficulties in determining viable parameters presented by the uncertain terms in section 301 result from the same problems encountered by the Supreme Court in articulating distinct general preemption parameters. "But none of these expressions provide an infallible constitutional test or an exclusive constitutional yardstick. In the final analysis, there can be no one crystal clear distinctly marked formula." *Hines v. Davidowitz*, 313 U.S. 52, 67 (1941). See NOWAK, *supra* note 288, at 268.

³¹⁹ But see *Associated*, 520 F. Supp. at 994; *Allied*, 496 F. at 443.

presumptive preemption analysis.³²⁰ Although Congress did leave areas open to state regulation, there are limits to the regulation states may enact.³²¹ Indeed, the deletion of the statutory preemption examples, was largely due to the fear that courts might misconstrue and thereby nullify areas of intended preemption,³²² expanding state powers beyond their intended limits.³²³ A return to state presumption preemption analysis could have the same effect. In a state presumptive analysis courts are more likely to interpret narrowly the preemptive nature of the federal law, thereby nullifying areas of intended preemption.³²⁴ In contrast, the *Associated* court's analysis is clearly federally presumptive, although the analysis is not based on section 301.³²⁵ Section 301 was intended to codify copyright preemption analysis.³²⁶ The *Associated* court has avoided the difficult interpretation required by section 301. This avoidance, however, works against the goal of uniformity in copyright preemption analysis. Thus, while *Associated* has properly respected the integrity of the copyright scheme with a federally presumptive analysis, the court failed to assimilate the language of section 301, thereby adding to the lack of uniformity in preemption analysis.³²⁷

Both *Allied* and *Associated*, then, failed to incorporate sufficiently the ideas presented in section 301 into the traditional preemption analysis. The preemp-

³²⁰ See *supra* notes 187-209, 311-18 and accompanying text. It would have been impossible for the federal government to use language that would clearly protect the federal right, and still allow the kind of regulation that is necessary, but only minimally interferes with the federal right (e.g. safety laws).

³²¹ *Allied*, 496 F. Supp. at 443 (quoting 1 NIMMER, *supra* note 24, at 1-11).

³²² See, e.g., *Allied*, 496 F. Supp. at 444. The *Allied* court's explicit use of these examples can be seen as perhaps exemplifying the need for their deletion, unless in fact the restrictions are not so onerous as to warrant preemption.

³²³ See *supra* notes 196-210 and accompanying text. The court in *Allied* used the deleted examples as support for its contention that Congress intended to leave the states free to propound law in those areas. *Id.* This, while essentially correct, perhaps sweeps too broadly. Congress deleted those examples precisely because they wanted to limit the state's ability to propound laws in those areas. H.R. REP. 1476, *supra* note 5, at 132, 1976 U.S. CODE CONG. & AD. NEWS at 5747. But see Diamond, *supra* note 197, at 210-12 (continuing value of the deleted examples).

³²⁴ See Thayer, *Presumptions and the Law of Evidence*, 3 HARV. L. REV. 141, 149 (1889): A rule of presumption does not say such and such a thing is a permissible and usual inference from other facts, but it goes on to say that this significance [shall always, in the absence of other circumstances,] be imputed to them -- sometimes passing first through the stage of saying that it ought to be imputed.

Id. See also Sloovere, *Preliminary Questions in Statutory Interpretation*, 9 N.Y.U. L. REV. 407, 411 (1932) (quoting Thayer at 149), reprinted in 3 SANDS, *supra* note 3, at 445-68.

³²⁵ See *Associated*, 520 F. Supp. at 992-94.

³²⁶ H.R. REP. 1476, *supra* note 5, at 129, 1976 U.S. CODE CONG. & AD. NEWS at 5745.

³²⁷ There is a tremendous danger that cases like *Allied* and *Associated* will be used to lessen the value of section 301. *Allied* might also be used to further encroach upon the preemptive qualities of the new law. See *supra* notes 319-24 and accompanying text. The Burger Court, prior to 1976, made it clear that its tendency was toward an expansion of state powers. See Note, *Shifting Perspectives*, *supra* note 65, at 639. Congress, it may be argued, has reacted against that tendency by enacting section 301 which effects the unification of copyright protection into one federal system.

tion section of the 1976 Act was enacted to codify and thereby enhance copyright preemption analysis. The courts' actions in *Allied* and *Associated* have resulted in an adequate preemption analysis of highly significant and restrictive state laws. It is submitted that a proper preemption analysis, coming within the parameters of the Copyright Revision Act and section 301, must combine an exploration of "equivalent rights within the general scope of copyright," with an examination of the effects of specific state laws on the scheme of federal copyright protection to determine whether preemption is warranted.

III. FUTURE PREEMPTION ANALYSIS: SUGGESTING A MORE UNIFORM APPROACH

The inconsistent results currently being reached by courts under the ambiguous section 301 mandate a more formal approach to copyright preemption analysis. Such an approach would necessarily incorporate a comparison of federal and state rights, a determination of the reasons for the passage of the state law, an examination of the effect on federal copyright laws, and an assessment of the significance of that effect. The structured four-step preemption analysis suggested here, termed the "Basis Test," includes each of these characteristics to ensure more consistent determinations respecting section 301's preemptive effects. While any analysis under the preemption section will of course include some room for judicial interpretation, and hence inconsistency, it is submitted that this four-step Basis Test analysis will introduce a method through which courts can begin to approach uniformity by combining the language of section 301 with an appreciation for the integrity of the federal scheme of copyright protection.

A. *The Basis Test*

The language in section 301 is by design broad enough to cover a wide range of circumstances.³²⁸ Unfortunately, that same design makes it difficult to decide, with consistent results, precisely when preemption does not apply.³²⁹ Legislative history is of little help, and the "extra element" test associated with that history gives no indication of the standards by which to judge the "extra" element.³³⁰ It is not necessary, however, to reject the test entirely. Used only as

³²⁸ See generally H.R. REP. 1476, *supra* note 5, at 129-31, 1976 U.S. CODE CONG. & AD. NEWS at 5745-46.

³²⁹ See Note, *The "Copying-Misappropriation" Distinction*, *supra* note 32, at 1471-73. This note concludes that courts should discard "sweeping formulae requiring wholesale preemption or disingenuous distinctions aimed at saving state power in favor of an attempt to determine what the federal policy is with respect to a given subject matter, the impact of state action on that policy, and the importance of the policy underlying the state action." *Id.* at 1472. This note, written before passage of the 1976 Act, also recognized the desirability of section 301 as a method for achieving consistent results. *Id.* at 1472-73. See *supra* notes 157-215 and accompanying text.

³³⁰ In fact, the deletion of statutory examples initially included in section 301 casts serious doubt on their interpretive value. See *supra* notes 196-210 and accompanying text. The

a tool and not as a decision-maker, the test may serve a useful purpose. An identification of an "extra element," as a first step in a preemption analysis, might suggest the possibility of a non-equivalent, and thus non-preempted right. If at this first step a court should find the state and federal laws identical, there would appear to be no possibility that the state rights are not in fact "equivalent" to the federal rights. Therefore the state law would be preempted. The likelihood, however, of a state law establishing rights that are in all ways identical to the federal rights is remote. Thus, while an "extra element" inquiry is a good first step, it is only by determining the actual purpose or goals of a state statute that equivalency can be determined.

After a court finds an "extra element" in a state law, therefore, the court should move on to the "second step" of the Basis Test. This second step involves a determination of the reason(s) behind the state statute at issue. Together these first two steps work to discover and compare what might be termed the "bases" of the federal and state laws. "Bases" in this context refers to a condensation of all aspects, both extrinsic and intrinsic, of a challenged state law and the federal statute it purportedly impinges. The first step, an extrinsic examination, is concerned with whether the two statutes are structured, and work, so identically that they are irrefutably equivalent. The second step, a more intrinsic examination, considers the legislative purpose and goals of each act. A state law that is aimed at the same problem as a federal law may have different "elements" but can be essentially equivalent. Although at first glance the distinctions between "extra element," "purpose," and "basis" may appear merely semantic, "basis" actually describes what was most likely meant to be the determining factor of a state law's "equivalency."³³¹

Merely identifying "extra elements" or "purposes," however, is not enough, since almost all laws include a number of varying goals.³³² Instead, the effect of the state law upon the federal law must be examined before any appreciation of the "equivalency," and thereby the preemptive effect of the federal law can be achieved. The third step in a preemption analysis, therefore, should

reason for their deletion was a fear of nullifying the entire preemption section, and any determinative interpretive use only resurrects that danger. See H.R. REP. 1476, *supra* note 5, at 132, 1976 U.S. CODE CONG. & AD. NEWS at 5748. Although the deleted examples of rights having extra elements did provide illustrative benefits, the "extra element" alone by no means defined sufficiently the parameters of these "non-equivalent" rights. In the same way, the phrase "rights and remedies that are different in nature," *id.* (description in H.R. REP. 1476 of deleted examples), does not describe the distinction between "equivalent" and "non-equivalent" rights in a way that is determinative.

³³¹ *Id.*

³³² See, e.g., 73 PA. CONS. STAT. ANN. § 203-2(1)-(10) (Purdon 1980) ("Legislative findings and purposes"), § 203-2 quoted in full, *supra* note 208. The purpose in § 203-2(5) "to prevent delay in the exhibition of feature motion pictures to the public in theaters playing subsequent to the first run showing," is probably the purpose behind § 203-7, "Length of Run," limiting the exclusive first run to 42 days. This is an example of how the purposes of the statutes in Ohio and Pennsylvania laws differ, since the Ohio statute has no provision comparable to § 203-7.

be an examination of the state law's immediate effect upon the federal scheme. State and federal laws often attempt to achieve highly similar results through differing means. In terms of the Basis Test, this would suggest that a state law is attempting to effect laws that are drawn from like bases, that is, are intended to effect the same or highly similar results. In such a case the subservient state law should be preempted. Thus, the third step would require an examination of the effect of the state law on the federal statute. The inclusion of this "effect" inquiry serves an important function in that it adds the significant aspect of concern for the copyright system as a cohesive statutory scheme. The "effect" inquiry thus would not be restricted to one emphasizing the state law's disruption of the primary purpose of the federal law. The effects on both the more general "purpose" and the overall "scheme" of the federal copyright statute also would be examined.³³³ Without such an examination of the effect on both the broad "purpose" and "scheme," this inquiry into a state statute's effect would likely give undue weight to either federal or state law. For example, an emphasis solely on the disruption of the federal statute's ultimate purpose permits state regulation that may affect secondary goals or the subservient aspects of the statute as long as the regulation in no way obstructs achievement of the primary purpose.³³⁴ In the extreme, this approach would perceive obstruction in only the most obvious cases. Interference with the congressionally determined "means" alone would not rise to the level of preempted obstruction. Alternatively, an emphasis solely on the disruption of the federal statute's "scheme" assumes that any regulation significantly affecting aspects of the statutory scheme interferes with the attainment of the primary purpose.³³⁵ This approach runs the danger of permitting interference with a section of the statute to result *automatically* in preemption. In the extreme, this approach would not allow even general applications of the states' police powers to interfere with federally established rights since they would necessarily lessen the effect of the federally granted right, thereby "interfering" with a federal decision. A respect for both "purpose" and "scheme," therefore, is necessary for the retention of the integrity of the federal copyright statute. Accordingly, some balancing of the state law's effect on each of these aspects must be achieved.

Thus, as a final step, it is necessary to examine the "significance" of the effect of a state law upon the corresponding federal statute.³³⁶ This

³³³ The differences between the two terms are significant and may be responsible for the differing results in *Allied* and *Associated*. See Note, *Resale Royalties*, *supra* note 16, at 1315. The author emphasizes the importance of ascertaining the purpose of the statute. *Id.* The note fails, however, to consider the theory implicit in *Associated*—that when Congress has established a statutory scheme to achieve that purpose, states may not displace it with what they consider more effective regulation.

³³⁴ See *Goldstein* 412 U.S. at 553-56; *Allied*, 496 F. Supp. at 993-96.

³³⁵ See *Associated*, 520 F. Supp. at 995-96.

³³⁶ The ability of a court to look at the statute's effect has been recognized by the Supreme Court. *Perez v. Campbell*, 402 U.S. 637, 671 (1971). The Court held that an interfering state law may be found not to frustrate the operation of federal law if the state legislature had

"significance" determination constitutes perhaps the most dangerous and problematic step in the Basis Test analysis; it would require the courts to interpret the relative importance of various provisions of the federal copyright law.³³⁷ In determining effect, a court should look to both primary and secondary goals of the Copyright Act. Then, retaining the legitimacy of the federal statutory scheme³³⁸ as a congressionally determined means to its ultimate purpose should be balanced with the importance of a state's right to regulate and thereby control its marketplace.³³⁹ In balancing these state and federal concerns, the significance of the state statute's effect on the primary and secondary goals of the Copyright Act is essential. This balance, however, can be inadvertently tipped. Whether a state statute's effect on the federal statute's scheme or general purpose is sufficiently significant to warrant a finding of preemption will depend in part on the approach employed by the analyzing court. A court's initial presumption, federal or state, will affect the amount of interference a court will allow before preempting a state law. It is submitted, therefore, that the pervasive quality of the Copyright Revision Act,³⁴⁰ the desire for uniformity in copyright protection,³⁴¹ and the explicit mention of the

some purpose in mind other than one of frustration. *Id.* at 649-52. Thus, the effect of a state law upon a corresponding federal law is only determinative in relation to the significance of that effect. *Huron Portland Cement Co. v. Detroit*, 362 U.S. 440, 446 (1960). "To hold otherwise would be to ignore the teaching of this Court's decisions which enjoin seeking out conflicts between state and federal regulation where none clearly exists." *Id.*

³³⁷ Courts, however, must necessarily consider this problem. As noted by one commentator:

The presumption is that the lawmaker has a definite purpose in every enactment and has adapted and formulated the subsidiary provisions in harmony with that purpose; that these are needful to accomplish it; and that, if this is the intended effect, they will, at least, conduce to effectuate it.

2A SANDS, *supra* note 3, at 57. *See, e.g., United States v. Ruzicka*, 329 U.S. 287, 292 (1946). The significance of the effect sufficient to preempt should be measured by "the conviction that the proper approach is to reconcile the operation of both statutory schemes with one another rather than holding one completely ousted." *Merrill, Lynch, Pierce, Fenner, and Smith v. Ware*, 414 U.S. 117, 127 (1973). At the same time, the integrity of the federal scheme, including subsidiary objectives enacted to achieve primary objective(s), and the deference due to those subsidiary objectives should be considered. 2A SANDS, *supra* note 3, at ch. 45.05.

³³⁸ Under the Basis Test, those examples of permissible state regulation deleted from the statute, but remaining in legislative history, would survive preemption. *See, e.g., Warrington Assocs., Inc. v. Real-Time Eng'g Sys.*, 522 F. Supp. 367, 368-69 (N.D. ILL. 1981) (vive preemption). *See, e.g., Warrington Assocs., Inc. v. Real-Time Eng'g Sys.*, 522 F. Supp. 367, 368-69 (N.D. ILL. 1981, *Inc. v. Grounds and Associates, Inc.*, 278 N.W.2d 81, 96-97 (Minn. 1979) (misappropriation of company list based on breach of contract and confidentiality); *Instrumentation Services, Inc. v. General Resource Corp.*, 283 N.W.2d 902, 908-09 (Minn. 1979) (unfair competition); *Abbott Laboratories v. Norse Chemical Corp.*, 33 Wis.2d 445, 448, 147 N.W.2d 529, 532-33 (1967).

³³⁹ *See generally Hidalgo v. America Rio Grande Land & Irrigation Co.*, 103 F.2d 509 (5th Cir. 1939) (If state law amounts to separate, equivalent substantive regulation, however, Copyright Act will be duplicitous and supremacy clause violated); 1A SANDS, *supra* note 3, at 12.

³⁴⁰ *See supra* notes 142-215 and accompanying text.

³⁴¹ H.R. REP. 1476, *supra* note 5, at 129-30, 1976 U.S. CODE CONG. & AD. NEWS at 5745-46. *See supra* notes 144-51 and accompanying text.

Sears/Compco doctrine in legislative history together require adoption of a more federally presumptive approach than that employed by the Supreme Court in its pre-section 301 *Goldstein* and *Kewanee* analyses.³⁴² Regardless of the court's presumption, however, the third and fourth steps of the Basis Test work to discover those state laws that are preempted by virtue of their interference with federal copyright law as evidenced by their effect upon federally granted rights.

The four-step Basis Test does not avoid all the problems of interpretation that have troubled courts applying section 301. For example, the determination of "extra elements" in step one, "purpose" in step two, "effect" in step three, and "significance" in step four seem open to varying interpretations. Presumably, no test in this area can withstand the manipulation of a skillful jurist. The Basis Test, however, better identifies rights equivalent to copyright by emphasizing the central purpose of the state law rather than only the actual form of the law. The test likewise reflects a concern for the purpose and scheme of the federal statute by basing determinations on a comparison between the statutory purposes of both the federal and state statutes. This comparison assures the analysis' proper respect for the purposes of federal copyright law included in all of its various subsections. Thus, the goal of uniformity inherent to section 301 would be considered as well as the broad goals of copyright law.

B. *Application of the Basis Test*

The appropriateness of the Basis Test may be illustrated through its application to the state laws presented in *Allied* and *Associated*. In each case, the state laws purported to have an extra element.³⁴³ The extra element alleged in both the Ohio and Pennsylvania blind bidding sections was a concern with the deception of an exhibitor and the consequent inflation of the copyrighted work's value.³⁴⁴ Thus, since the state laws are not irrefutably identical, under the Basis Test the second prong, examination of the purpose of the law is triggered. The state laws' purpose could be expressed as regulating deceptive practices, in contrast to the federal statute's purpose of promoting authorial achievement. In the third and fourth steps of the Basis Test the importance of a

³⁴² See *supra* notes 142-215 and accompanying text.

³⁴³ For example, the "blind bidding" sections of the Ohio and Pennsylvania laws purport to deter deception of the exhibitor. Prior to an actual screening, the exhibitor has no significant substantiated knowledge of the worth of the picture. Deception in this sense differs from the deception referred to in unfair competition and misappropriation involve a seller holding his work out as someone else's after copying or stealing that work in an effort to capitalize on the good will associated with the original. Deception in blind bidding refers to the practice of distributors suggesting that each and every movie is a veritable "gem," sure to break all box office records without giving exhibitors an opportunity to verify those representations personally through an advance screening.

³⁴⁴ *Allied*, 496 F. Supp. at 447. Although the *Associated* court does not specifically address this "extra element" issue, the blind bidding restrictions are identical, and thus contain the same "elements." See generally *United States v. Loew's*, 371 U.S. 38, 47 (1962) (citing *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 158 (1948)) (copyright protection was not intended to allow inflation of copyrighted work's value).

state's power to prevent deception of its citizens would have to be balanced against the federal interest in promoting authorial achievement by allowing the author unregulated monopolistic control. This would be achieved by examining first the effects of the state law, and second the significance of that effect. The effect of this state law lies primarily with the loss of control that the copyright holder has over when and to whom his work will be shown.³⁴⁵ *Allied* disposed of this argument by emphasizing that the author retained complete control over his right to prohibit reproduction, distribution, performance, and display.³⁴⁶ But as previously noted,³⁴⁷ the issue of the author's right to actually distribute without prior display was avoided by the courts. *Allied's* statement that blind bidding "tends to equalize rather than differentiate the reward for copyright"³⁴⁸ is a more persuasive argument for nonequivalency than an emphasis on the retained right of prohibition. The significance of the effect of the state regulation (the fourth step) can be perhaps best measured by noting that blind bidding, by depriving the exhibitor of the opportunity to judge the quality of the film prior to executing a license agreement, does nothing to encourage the creative excellence that the copyright laws were designed to foster.³⁴⁹ Thus, although blind-bidding regulation does restrict the distribution rights of a copyright holder, the interests in furthering the essential, noninflationary goals of copyright valuation should be deemed overriding. As further explanation, and to state this conclusion in terms of section 301, the rights of distribution did not leave the copyright holder immune from laws forbidding deceptive practices.³⁵⁰ The states' blind-bidding statutes are clearly anti-deception laws. They work to prevent overvaluation or undervaluation of motion pictures that have not been seen by exhibitors. In this way the state laws create rights that are entirely different from the rights protected by the federal law and are thus nonequivalent, non-preempted rights. The right of distribution created by the federal law did not establish the right to distribute copyrighted works deceptively. In addition, the purpose of authorial reward is to reflect the quality of the copyright.³⁵¹ Blind bidding does nothing to further this purpose, and in fact could be viewed as working against it.³⁵² Thus, the anti-blind bidding sections should survive preemption analysis.

The two statutes in *Allied* and *Associated* differed in their treatment of the guarantee/percentage aspect of licensing, but both contained the extra element

³⁴⁵ *Allied*, 496 F. Supp. at 447; *Associated*, 520 F. Supp. at 995.

³⁴⁶ *Allied*, 496 F. Supp. at 447.

³⁴⁷ See *supra* notes 307-10 and accompanying text.

³⁴⁸ *Allied*, 496 F. Supp. at 447 (quoting *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 158 (1948)).

³⁴⁹ *Allied*, 496 F. Supp. at 447.

³⁵⁰ See H.R. REP. 1476, *supra* note 5, at 132, 1976 U.S. CODE CONG. & AD. NEWS at 4745-46.

³⁵¹ *Allied*, 496 F. Supp. at 447 (quoting *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 158 (1948)).

³⁵² See *supra* notes 348-51 and accompanying text.

of promoting fair and effective competition in the distribution of motion pictures.³⁵³ Thus, under the Basis Test, the second prong, examination of the purpose of the law, is triggered. The purpose of each statute seems to be divided into two primary purposes. The first, to promote fair and effective competition,³⁵⁴ is closely tied with the state's police power to regulate market practices.³⁵⁵ The second purpose, to regulate the distribution of motion pictures, is in fact necessary to achieve the state's first purpose.³⁵⁶ This regulation, however, restricts the unregulated federal distribution rights of the copyright owner and thereby calls into question the test's third step, the effect of the state statute on federal copyright law. The Pennsylvania statute prohibited all guarantees that were in any way combined with a percentage payment.³⁵⁷ This prevented the copyright owner from both placing an exact value (guaranteed price) on his work and receiving the benefit of audience approval (percentage payments).³⁵⁸ The Ohio statute prohibited the conditioning of a license agreement upon a demand of a guarantee when a percentage rental is sought,³⁵⁹ unlike the Pennsylvania statute which does not forbid a combination of a guarantee and percentage payment as part of the exhibitor's bid.³⁶⁰ The latter law merely prevents a distributor from *requiring* a guarantee.³⁶¹ The Ohio statute's prohibition is more closely tied with the statute's goal of balancing the market power of the exhibitors and distributors.³⁶² At the same time it does not force the copyright owner to forego any reward based on his work's popularity. Thus the Ohio guarantee/percentage section should survive preemption because although the purposes of the federal and state law are similar, the effects are not so significant as to interfere improperly with the scheme of copyright distribution.³⁶³ The Pennsylvania statute, however, should be

³⁵³ See 73 PA. CONS. STAT. ANN. § 203-2(8) (Purdon 1980); OHIO REV. CODE ANN. § 1333.06(B) (Baldwin).

³⁵⁴ See 73 PA. CONS. STAT. ANN. § 203-2 (Legislative purposes). See *supra* note 223 for text of § 203-2.

³⁵⁵ *Allied*, 496 F. Supp. at 447 and cases cited therein.

³⁵⁶ See *e.g.*, "Title of Act," 73 PA. CONS. STAT. ANN. § 203-1 (Purdon-1980), "An act regulating the practices of feature motion picture exhibitors and distributors or licensors and providing remedies for violations and penalties."

³⁵⁷ *Id.* at § 203-5; *Allied*, 496 F. Supp. at 994.

³⁵⁸ Although ultimately the public's opinion of the work's value (via the box office) will decide the copyright's value, the theory behind copyright allows the author to set the initial price. Theoretically, if his price is too high, no one will pay it. Since under the anti-blind bidding statute the exhibitors will have seen the film, they will be able to recognize the validity of the distributors' price, or the risks of a guarantee included in their bid.

³⁵⁹ OHIO REV. CODE ANN. § 1333.06(B)(1978).

³⁶⁰ *Allied*, 496 F. Supp. at 445.

³⁶¹ The copyright owner has other limits on his control over his copyrighted work. See, *e.g.*, 17 U.S.C. § 107 (1976) (fair use); *Meeropol v. Nizer*, 560 F.2d 1061, 1068 (2d Cir. 1977) ("The privilege in others than the owner to use material in a reasonable manner without his consent, notwithstanding the monopoly granted to the owner by the copyright.") *cert. denied*, 434 U.S. 1013 (1978).

³⁶² See *supra* note 223. See also note 241.

³⁶³ *Allied*, 496 F. Supp. at 446, See *United States v. Paramount Pictures, Inc.*, 334 U.S.

preempted. The choice it forced upon the copyright owner did not allow him to participate in the profits, or "reward," of his work unless he accepted all of the inherent risks of the percentage method.³⁶⁴

A third provision of the Pennsylvania Act made unlawful the inclusion of any advances in license agreements.³⁶⁵ In contrast, in Ohio an exhibitor was permitted to offer a short (fourteen-day) advance as part of a license agreement.³⁶⁶ Each of these provisions restricts the way in which a copyright owner may receive compensation for the distribution of his work. Although the "extra elements" and "purposes" of these provisions are analogous to those in the guarantee/percentage provision,³⁶⁷ the "effects" are slightly different. The restriction of advances does not prevent or restrict valuation; it merely limits the way valuation is realized.³⁶⁸ The "significance" of the effect of this restriction on the statutory scheme of copyright, therefore, is negligible. The copyright owner is merely presented with what may be a less advantageous cash-flow situation. Since there are no significant substantive restrictions on the right of distribution, the Basis Test's application would not result in the preemption of these state restrictions.

A fourth provision, present only in the Pennsylvania statute, limits the duration of an exclusive first run to forty-two days.³⁶⁹ Like the other three sections, this section's "extra element" is closely tied to the essential purpose of the state law. The section was meant to further the speedy dissemination of ar-

131, 158 (1948) (copyright law, like patent statutes, makes reward to owner a secondary consideration); *Fox Film v. Doyal*, 286 U.S. 123, 128 (1932) (author reward not primary purpose of copyright). See also *Twentieth-Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (receiving radio show in foodshop not "performance").

³⁶⁴ Although in theory quality will always be rewarded commensurate to its worth, this theory lacks validity in the motion picture industry due to the fickle nature of the motion picture audience. Many a quality film has been a severe financial disappointment. Thus, although the economic gain of an author is of secondary consideration, any state regulation of that gain should consider the realities of the motion picture industry. Since the industry's product valuation is almost entirely dependent on audience response, prediction is often difficult, if not impossible. The Pennsylvania statute mandates that the value of a motion picture be determined either solely in accordance with the audience's evaluation (percentage method) or entirely separate from their valuation (guarantee method). See 73 PA. CONS. STAT. ANN. § 203-5 (Purdon 1980). No compromise position between the security of a guaranteed payment and the opportunity of a percentage payment is permitted by the statute. Although there are strong arguments for preventing a distributor from requiring a guarantee, there are also arguments for allowing combination guarantee/percentage agreements. Assuming the state requires advance screening, the exhibitor should perhaps be willing to share the risk since they have seen for themselves the quality of the film and can recognize the probability of success as well as anyone. This would seem to balance more equitably the rights of control and economic reward proportionate to the value of the copyrighted work guaranteed by the federal statute with the fair market controls of the state. In addition, an exhibitor who has promised a guarantee would be more likely to be an aggressive promoter, thereby helping to realize the film's true "popular" worth.

³⁶⁵ 73 PA. CONS. STAT. ANN. § 203-6 (Purdon 1980).

³⁶⁶ OHIO REV. CODE ANN. § 1333.06(C) (Baldwin 1978).

³⁶⁷ See *supra* notes 353-364 and accompanying text.

³⁶⁸ Compare *Allied*, 496 F. Supp. at 442 and *Associated*, 520 F. Supp. at 991-92.

³⁶⁹ 73 PA. CONS. STAT. ANN. § 203-7 (Purdon 1980).

tistic expression and opinion in feature motion pictures.³⁷⁰ Since this purpose is identical to the purpose of the federal copyright statute,³⁷¹ it appears that the first run limiting section is a right "equivalent to copyright," and the state regulation is in fact trying to "improve" upon the nonrestrictive federal grant.³⁷² This alone should be sufficient to preempt the state regulation, but an examination of its effect and its significance is warranted to complete the analysis. The effect of this statute on the scheme of federal copyright law is to displace the author's control over the first public distribution with that of the state.³⁷³ Legislative history of the Copyright Revision Act makes clear the congressional intent to grant the author this control.³⁷⁴ Consequently, any limit on the duration of licenses in an effort to speed dissemination would have an inappropriate effect on the congressional decision that authorial monopoly over such decisions is the appropriate means to the constitutional purpose.

Finally, both of the states' statutes include provisions outlining the structure of the legal bidding procedure.³⁷⁵ The purpose of these laws is clearly to prevent unfair and deceptive acts or practices.³⁷⁶ These provisions are largely comparable to the advance payment limits provisions³⁷⁷ since they restrict the methods of bidding but do not determine actual results of that bidding.³⁷⁸ The only serious restriction involves the requirement that a distributor who rejects all bids not enter into a licensing agreement except by means of the bidding process.³⁷⁹ Like the guarantee/percentage choice,³⁸⁰ this requires a choice that may prevent optimum terms for the copyright holder, but it is clearly necessary

³⁷⁰ See *id.* at §§ 203-2(1), (4), (5), (9) (Legislative Findings and Purposes). See *supra* note 223 for text of § 203-2.

³⁷¹ See *supra* note 11.

³⁷² See *supra* notes 277-301 and accompanying text.

³⁷³ *Allied*, 496 F. Supp. at 447. That is, this provision would displace authorial distribution decisions after forty-two days with state law prescribed dissemination or require the copyright owner to withdraw from the market entirely. 73 PA. CONS. STAT. ANN. § 203-7 (Purdon 1980).

³⁷⁴ H.R. REP. 1476, *supra* note 5, at 67, 1976 U.S. CODE CONG. & AD. NEWS at 5668. Additionally, the Supreme Court has explained that the constitutional grant of copyright is based on "the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors." *Allied*, 496 F. Supp. at 446 (quoting *Mazer v. Stein*, 347 U.S. 201, 219 (1954), *reh. denied* 347 U.S. 949 (1955)).

³⁷⁵ OHIO REV. CODE ANN. § 1333.07(A)-(F) (Baldwin 1978); 73 PA. CONS. STAT. ANN. § 203-8 (Purdon 1980).

³⁷⁶ See 73 PA. CONS. STAT. ANN. § 203-2(7) (Purdon 1980). See generally Note, *Blind Bidding*, *supra* note 240, at 1131-37 (1979).

³⁷⁷ See *supra* notes 365-368 and accompanying text.

³⁷⁸ The two statutes' requirements that distributors release all bids for examination by any bidder after a bid submission could perhaps lower the ultimately accepted bids if a rebidding was required. *Allied*, 496 F. Supp. at 445. This result, however, seems unavoidable since there must be some way for exhibitors to be sure the distributor is not accepting inferior bids for inappropriate reasons.

³⁷⁹ 73 PA. CONS. STAT. ANN. § 203-8(c) (Purdon 1980); OHIO REV. CODE ANN. § 1333.07(F) (Baldwin 1978).

³⁸⁰ See *supra* notes 227-229 and accompanying text.

to preserve the integrity of the bidding procedure; without it there would be no reason for compliance with any of the statutes' other provisions.

In summation, then, the Basis Test would not preempt the blind bidding sections of the statutes. The guarantee/percentage restrictions in the Ohio statute should also survive preemption. Those more restrictive sections of the Pennsylvania statute, however, should not survive preemption. The effect of the section on the economic reward of the author, albeit a secondary consideration is so disruptive as to be in direct conflict with a purpose of federal copyright law — true valuation of a copyrighted work. Valuation via a "Hobson's choice," in the motion picture industry, is not an effective means to the ultimate goal. The advance restrictions do not sufficiently affect the author's right as to be preempted. The Pennsylvania statute's requirement of "expanding the run" after forty-two days, however, is clearly violative of the author's right to control his work. The author's monopoly was recognized by Congress to have dangers of authorial restrictions on its dissemination, but Congress chose not to legislate against this occurrence. States can not implement a corresponding, although more restricted, right. The bidding procedures should be considered analogous to safety regulations — bothersome, and somewhat restricting, but not sufficiently onerous to warrant preemption. Thus, the conclusions of this test are identical to those found in *Allied* with respect to the Ohio statute, but differ somewhat with respect to the Pennsylvania statute considered in *Associated*. The conclusions, however, are not the essential problems in these cases. It is the way the courts came to these conclusions that is most disturbing. Although the statutes were comparable, the courts' analyses were not, and in the case of some of the sections that were essentially identical, neither were their conclusions.

CONCLUSION

Through section 301, Congress attempted to codify a copyright preemption analysis that furthered the goals of copyright established in the Constitution. Indeed, the entire Copyright Revision Act of 1976, of which section 301 was a part, embodied a congressional effort to promote a particular constitutional aim — the uniformity of copyright protection — as one of its central goals. The legislative history of section 301 suggests that Congress, to achieve this protection uniformity, intended to codify traditional case law based preemption analysis, while replacing the dual system of both federal and state regulation. Unfortunately, the language of section 301 is somewhat ambiguous, and as one consequence has resulted in a distinct lack of uniformity in copyright preemption analysis. Two recent decisions — *Allied Artists Pictures Corp. v. Rhodes* and *Associated Film Distribution Corp. v. Thornburgh* — are indicative of the problems courts have encountered in grappling with preemption questions, even when the state laws at issue are effectively identical. In *Allied*, the court so restricted its section 301 analysis that the resultant holding failed to appreciate the integrity of the federal scheme of uniform copyright protection.

In *Associated*, although emphasizing the importance of the integrity of the federal system, the court failed to analyze the rights created by the Pennsylvania statute under the terms required by section 301. The courts' divergent analyses and conclusions demonstrate the need for a method of analysis which, while incorporating aspects of traditional preemption analysis, is consistent with the intent of section 301's framers. The Basis Test serves this purpose by placing, within a structured framework, the proper emphasis on "equivalent rights" while at the same time respecting the integrity of the statutory scheme and purpose. *Allied* and *Associated* represent a tendency to accept various aspects of traditional preemption analysis without appreciating the statutory emphases. Future courts should blend traditional preemption with section 301's statutory analysis to avoid threatening the federal statutory scheme intended by Congress.

PATRICK MCNAMARA