

Case No. 04-3654

**In The
United States Court of Appeals
For The Eighth Circuit**

DAVIDSON & ASSOCIATES, INC.,
D.B.A. BLIZZARD ENTERTAINMENT, *et al.*,

Plaintiffs-Appellees,

v.

INTERNET GATEWAY, INC., *et al.*,

Defendants-Appellants.

On Appeal From A Final Judgment Of The Eastern District Of Missouri

**BRIEF OF IEEE-USA AS AMICUS CURIAE
IN SUPPORT OF APPELLANTS AND REVERSAL***

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IDENTITY AND INTEREST OF THE AMICUS CURIAE

IEEE-USA is an organizational unit of The Institute of Electrical and Electronics Engineers, Inc. (IEEE), a New York corporation. IEEE-USA supports the nation's prosperity and competitiveness by fostering technological innovation and promoting U.S. industry for the benefit of all, including the more than 225,000 technology professionals in the United States who are members of the IEEE. IEEE-USA seeks to ensure that copyright law is correctly applied, in accordance with the principles set forth by the Founders, to promote the progress of science and the useful arts.

IEEE-USA members serve on the “front line” of the United States copyright and patent system. Its members include inventors and software authors who create and use cutting-edge technology, who research and publish professional articles and journals, and who develop published standards that form the bases for widely adopted and critical technologies. They are entrepreneurs and employees of firms that acquire, license, and market copyrighted works.

IEEE-USA members also include content owners and members of the public. IEEE-USA recognizes that the promotion of progress requires a delicate balancing of these groups' interests with those of authors and developers, and IEEE-USA consistently speaks for that balance. When a decision threatens to disrupt the nation's intellectual property system, IEEE-USA respectfully believes it

has the experience and perspective to aid the court in interpreting the law to achieve the constitutional directive of promoting progress. The district court's decision below is such a case with respect to the public's fair use rights established by Congress and inherent in the Copyright Act.

IEEE-USA respectfully believes that its views will aid this Court in the resolution of the issues raised in this important appeal. In accordance with the by-laws of the IEEE, the IEEE-USA Board of Directors has unanimously authorized the filing of this brief.

The parties in this case have supplied IEEE-USA with written confirmation that they consent to the filing of this brief.

SUMMARY OF THE ARGUMENT

Among the many issues presented by this case is one of extreme importance to this country's intellectual property law: whether a publisher of a copyrighted work may, in the course of publication, use state law to control the rights of the public to utilize the work, leaving empty and meaningless the fair use rights that inhere in copyright law and which Congress expressly granted to the public in section 107 of the Copyright Act. For the reasons that follow, IEEE-USA urges this Court to reverse the district court's decision on this issue and hold that the purported contract between the parties is preempted, and thus invalidated, by federal law, to the extent that the contract seeks to preclude a copyright licensee from engaging in fair use, including reverse engineering, of a copyrighted work. The Court should reverse the decision below regarding preemption and remand for further proceedings regarding whether the conduct at issue in this case qualifies as fair use.

ARGUMENT

I. THE COPYRIGHT ACT PROVIDES THE PUBLIC WITH BROAD FAIR USE RIGHTS, INCLUDING THE IMPORTANT RIGHT TO REVERSE ENGINEER COPYRIGHTED WORKS AND USE UNPROTECTED IDEAS EMBODIED THEREIN.

The principal and constitutionally rooted function of the Copyright Act is to promote the progress of science. U.S. Const. Art. I, § 8, cl. 8. As engineers, IEEE members are keenly aware of the importance of the free flow of ideas to technological innovation and improvements, of being able to stand, metaphorically speaking, on the shoulders of the giants who have gone before. In modern commerce, ideas and innovation do not come from a vacuum but from the essential practice of an engineer's freedom to observe and study the state of the art in order to build thereupon; that is, from the routine practice of reverse engineering. The decision below now threatens to profoundly restrict that essential, and statutorily prescribed, freedom.

Pursuant to its constitutional mandate to "promote the Progress of Science," U.S. Const. Art. I, § 8, cl. 8, Congress has expressly reserved to the public the right to "fair use" of materials subject to copyright. 17 U.S.C. § 107. Fair use permits an individual in rightful possession of a copy of a work to use that work, including copying it, for purposes such as criticism, comment, news reporting, teaching, scholarship, or research. Id.

Section 107 is an important source of fair use rights, but it is not the only source. Prior to Congress's codification of the fair use doctrine, the United States Supreme Court established that the public's ability to engage in fair use inheres in the very concept of a copyright. E.g., Campbell v. Acuff-Rose, 510 U.S. 569, 576 (1994) (quoting Folsom v. Marsh, 9 F. Cas. 342 (C.C.D. Mass. 1841) (Story, J.) ("look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.")). The doctrine of fair use thus emanates directly from the Constitution's very purpose of promoting the "Progress of Science and useful Arts," and allows copyright law to be applied in a manner that does not stifle the creativity it was created to foster. Id. at 575-76 (citing U.S. Const., art. I, § 8, cl. 8 and quoting Stewart v. Abend, 495 U.S. 207, 236 (1990)). See also Eldred v. Ashcroft, 123 S. Ct. 769, 788 (2003) (explaining that fair use accommodates First Amendment interests as well).

The concept of fair use complements the principle, codified in section 102(b), that a copyright protects only a work's expression, not the work's ideas, procedures, processes, or methods of operation. See 17 U.S.C. § 102(b). Permitting the public to engage in fair use advances the constitutional objective of progress by encouraging others to build freely upon the unprotected ideas and

information conveyed by the work. See Feist Publications, Inc. v. Rural Telephone Serv. Co., Inc., 499 U.S. 340, 349-350 (1991).

The significance of this congressional and constitutional policy could not be more clear: the strict enforcement of a copyright monopoly must not be permitted to prevent the development of new works built upon existing ones. “From the infancy of copyright protection,” fair use was deemed necessary to fulfill the promise of the Copyright Clause. Campbell, 510 U.S. at 575 (quoting Emerson v. Davies, 8 F. Cas. 615, 619 (C.C. D. Mass. 1845) (“In truth, in literature, in science and in art, there are, and can be, few, if any, things, which in an abstract sense, are strictly new and original throughout. Every book in literature, science and art, borrows, and must necessarily borrow, and use much which was well known and used before.”)). If scholars and engineers were forced to forego the benefit of using ideas found in works protected by copyright, the public would be denied their contribution to knowledge. See Sony Corp v. Universal City Studios, Inc., 464 U.S. 417, 477-78 & n.28 (1984) (Blackmun, J., dissenting) (“a dwarf standing on the shoulders of a giant can see farther than the giant himself”) (quotation omitted).

Reverse engineering in particular is among the long-recognized forms of fair use. It is a process that consists of “starting with a known product and working backward to divine the process which aided in its development or manufacture.”

Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 476 (1974). The Supreme Court has acknowledged that, in the context of patents, reverse engineering “often leads to significant advances in technology” and may spur inventors “to develop inventions that meet the rigorous requirements of patentability” so as to permit those inventions to be placed within the protected sphere of patent law. Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 160 (1989), abrogated-in-part by statute on other grounds, 17 U.S.C. § 1301-32 (citing Kewanee, 416 U.S. at 489-490). Courts and commentators have consistently recognized reverse engineering to constitute fair use of copyrighted material. E.g., Sony Computer Entertainment, Inc. v. Connectix Corp., 203 F.3d 596 (9th Cir. 2000); Bateman v. Mnemonics, Inc., 79 F.3d 1532 (11th Cir. 1996); Atari Games Corp. v. Nintendo, 975 F.2d 832, 842 (Fed. Cir. 1992); Pamela Samuelson & Suzanne Scotchmer, The Law and Economics of Reverse Engineering, 111 Yale L.J. 1575 (2002).

The prevalence of reverse engineering today cannot be overstated, particularly in the context of copyrighted computer software. Reverse engineering of computer software can take many forms, from various forms of intense study of the software’s codes, to experimental alteration of portions of those codes, to mere observation of how execution of the software appears or interacts with the computer on which the software operates. It is the last of these forms that is most often overlooked. Simply observing how a computer program operates and

working to create a similarly functioning product is a form of reverse engineering, just like dissecting the internal code of a software program or an artist's strokes on a canvas. All such activities are well within a user's fair use rights, and all can be outlawed if a state-law based mandatory license is interpreted to lawfully prohibit all forms of reverse engineering.

Engineers reverse engineer software for many reasons. Some do so to investigate flaws or security weaknesses in the software. Others do so for recreational, educational, or training purposes, or to create complementary or competitive products. Indeed, reverse engineering of software with an aim towards producing a non-infringing competitive or complementary product has reached the level where it can be fairly said that a substantial amount of the research and development performed in the production of new software involves reverse engineering of some form, and that reverse engineering in some form or another has in this way become fundamental to the development of new programs and software-related technology.

Reverse engineering may be likened to the "reading" to which the Supreme Court referred when it recently confirmed that "[a] reader of an author's writing may make full use of any fact or idea she acquires from her reading." Eldred v. Ashcroft, 123 S. Ct. 769, 787 (2003) (citing 17 U.S.C. § 102(b)). As a practical matter, reverse engineering is indeed no more than a sophisticated form of

“reading” a work. Eldred recognized the distinction between utilizing protected forms of work and utilizing unprotected ideas, and the Supreme Court explained that “[d]ue to this distinction, every idea, theory, and fact in a copyrighted work becomes instantly available for public exploitation at the moment of publication.” Id. at 789 (citing Feist, 499 U.S. at 349-50).

Ultimately, the greatest benefits from reverse engineering are reaped by the public at large. The positive exploitation of ideas expressed in copyrighted works, not patented or otherwise subject to valid confidentiality restrictions, promotes Progress of both Science (in the form of new, copyrightable works) and the useful Arts (in the form of new, patentable art). The result of such exploitation over the past two decades is readily apparent: advanced, competitive computer software industries have fueled the explosive and enlightening development of the Internet as well as many technology-based modern products.

Of course, federal policy does recognize protection for inventions, even when they are embodied in a copyrighted work, through the system of patents. The Patent Act, however, does not provide protections for inventions unless they are novel, useful, and unobvious in view of prior art. Even then, the patent system protects only those inventions that are claimed through a public patent and only for a limited period of time. 35 U.S.C. § 1 et seq. Moreover, even the grant of a patent does not extend to ideas, and there is a specific formal quid pro quo required

for the grant of a letters patent – a timely made public disclosure sufficient to enable a person of ordinary skill to practice the invention. 35 U.S.C. §§ 1, 102(b), 112.

II. COMPULSORY AGREEMENTS WAIVING FAIR USE RIGHTS TO REVERSE ENGINEER ARE A SERIOUS THREAT TO THE PROGRESS SOUGHT TO BE PROMOTED BY THE COPYRIGHT ACT.

A serious threat to the progress promoted by reverse engineering has emerged in the marketplace for copyrighted software. Exploiting so-called “shrink-wrap” and “click-wrap” agreements entered into as an incident of the act of publication, publishers have attempted to use state-based contract law to demand that the public waive its federal fair use rights.

A shrink-wrap agreement is typically found on or within the box containing a commercial software item and provides that the user, by opening the box or using the software, agrees that he or she has no more than a license to use the software subject to a series of express terms and conditions. The user who wishes to utilize the software has no option but to accept the terms imposed by the publisher. In some instances, a user unwilling to accept those terms may return the software for a refund of the purchase price. Click-wrap agreements are functionally identical except that, rather than utilizing a printed medium to present the terms of the agreement or license, they are displayed by the software itself upon execution, or

by electronic media used to deliver the software, and the user is required to “click” with a computer mouse tool to indicate acceptance, or else the software will not operate or be delivered.

In this brief, IEEE-USA does not consider the suitability of these agreements as instruments of commerce. IEEE-USA does, however, focus on the danger such agreements present to the nation’s intellectual property system to the extent they are used in an effort to eliminate a software user’s fair use rights as they relate to a copyrighted work. This case presents an excellent example of such restrictions. The StarCraft “End User License Agreement,” for instance, states that the user is to receive only a license to use the product and that the license entirely defines the user’s use rights regarding that copyrighted work:

This software program . . . and any and all copies . . . are the copyrighted work of Blizzard Entertainment. . . . All use of the Program is governed by the terms of the End User License Agreement which is provided below (“License Agreement”). The Program is solely for use by end users according to the terms of the License Agreement. Any use, reproduction or redistribution of the Program not in accordance with the terms of the License Agreement is expressly prohibited.

DER 92-95 (emphasis added). The license goes on to prohibit reverse engineering the StarCraft program.

Sometimes, as appears to be the case here, such comprehensive licensing schemes are the only means by which an author or publisher presents the

copyrighted work to the public. In these cases, the entire public's right to use the work is defined not by the fair use terms that inhere in copyright or that Congress set forth in section 107. Instead, the right to use is defined solely by the publisher's "agreement" with the public, an agreement in essence reached as an incident of publication and which the publisher insists be made before the user is permitted to use the copyrighted work at all. Here, the publisher exploits the exclusive rights available under the Copyright Act to reproduce and distribute a protected work but utilizes the technological advances of modern software to prevent the public from using the work unless and until the user waives all federally prescribed fair use rights.

In all cases, the result of these provisions, if enforced, is to stultify the progress the Copyright Act otherwise promotes by outlawing a widespread, long-standing, and fundamental practice of invention, approved by Congress and the courts, through the modern innovation of compulsory agreements accompanying publication. These compulsory agreements, mandated by the publisher as a condition of using the work at all, leave the computer programming industry in disarray, casting the pall of extraordinary potential liability over the widespread, historical, and continuing practice of reverse engineering. The liability risks that flow from this practice are so substantial that they are halting reverse engineering altogether. The public is thereby losing the benefit of a process of advancing

knowledge that the Supreme Court has declared to be among the fundamental purposes of the Copyright Act.

For firms attempting to develop products and break into the marketplace, observing blanket proscriptions on reverse engineering lands a crippling blow. The inability to reverse engineer existing products can make further product development and innovation in the same area economically impossible, most particularly for small firms. Furthermore, depending on how “reverse engineering” is defined by the creative mind of the copyright holder who seals its work with a compulsory agreement, avoiding a state law claim for breach of contract based on reverse engineering may prove nearly impossible once the engineer has used the work.

A recent decision by the Federal Circuit, which erroneously permitted a shrink-wrap prohibition on reverse engineering to stand, provides a troubling example of this concern. In Bowers v. Baystate Tech., Inc., 320 F.3d 1317 (Fed. Cir. 2003), the work at issue was published with a shrink-wrap license that prohibited reverse engineering. In a suit for breach of contract, the plaintiff copyright holder asserted not that the defendant dissected or manipulated the plaintiff’s programming codes but merely that the defendant observed how the plaintiff’s software operated. Id. at 1327.

Overreaching licenses are not hypothetical. In one heavily criticized example, a license used in the distribution of a popular computer program used to create Internet content included restrictions not only on reverse engineering but also on the user's ability to create a negative review of the product. See, e.g., Reid Goldsborough, Can You Criticize Your Computer Software?, Consumers' Research Mag., Vol. 85, Issue 4, 2002 WL 14817465 (Apr. 1, 2002) (criticizing as draconian provision of license agreement accompanying Microsoft Frontpage precluding reverse engineering and disparagement of the publisher or its products); see also People v. Network Assocs., Inc., 2003 WL 1522936 (N.Y. Sup. Ct. Jan 6, 2003) (invalidating agreement prohibiting users from publishing product reviews without permission).

As the simplistic reverse engineering claim in Bowers suggests, enforcing compulsory prohibitions on reverse engineering is a boon of epic proportions for publishers already entrenched in the marketplace. These compulsory terms prohibit the public from exercising rights that are fundamental to the concept of progress through a copyright system and do not infringe on the publisher's copyright. Whether the reverse engineering at issue is basic or complex, and whether its aim is greater scientific understanding, education, research, or the creation of complementary or competing technologies, the result of its wholesale elimination is to cripple the innovation process established through copyright law.

III. THE WAIVER OF FAIR USE RIGHTS REQUIRED BY PLAINTIFF AS A CONDITION FOR ANY USE OF ITS COPYRIGHTED WORK IS PREEMPTED BY FEDERAL LAW ON FAIR USE.

The district court erred in its preemption analysis. A blanket fair use waiver extracted as an incident of publication under the Copyright Act actually conflicts with the fair use rights established under the Copyright Act, and is thus preempted by federal law. A publisher may not at once claim a copyright in a work, exploit rights granted under the Copyright Act to publish the work, and then rely on state law to enforce a compulsory waiver of fair use rights as a condition of using the work. The district court mistakenly rejected this conflict preemption argument by relying on a single decision that never addressed this point.

A. THE DISTRICT COURT APPLIED THE WRONG LAW TO THE FIELD AND CONFLICT PREEMPTION ANALYSIS ADVANCED IN THIS CASE.

It is well-settled that state law may not be enforced where “the scheme of federal regulation is sufficiently comprehensive to make reasonable the inference that Congress ‘left no room’ for supplementary state regulation” -- that is, in the case of field preemption. California Fed. Sav. & Loan Assoc. v. Guerra, 479 U.S. 272, 280-81 (1987) (citing Rice v. Santa Fe Elevator Corp., 331 U.S. 218, 230 (1947)). Nor may state law be enforced where “it actually conflicts with federal law” -- that is, in the case of conflict preemption. Id. In all cases, state law may

not “stand as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.” Freightliner Corp. v. Myrick, 514 U.S. 280, 287 (1995) (citing Hines v. Davidowitz, 312 U.S. 52, 67 (1941)).

The principle of field and conflict preemption in the area of copyright is well illustrated by the leading case addressing the point with respect to reverse engineering clauses as incidents of publication: Vault Corp. v. Quaid Software Ltd., 847 F.2d 255 (5th Cir. 1988).

In Vault, a software publisher distributed its product with a license agreement providing that users could not “sublicense, rent, lease, convey, copy, modify, translate, convert to another programming language, decompile or disassemble” the software. 847 F.2d at 257. Acceptance of this license was compulsory for anyone who wished to obtain the program -- the publisher offered the program to the general public but apparently offered no opportunity to purchase the software without the use restrictions. Id. A user that had received the program reverse engineered its source code, ultimately producing a rival program aimed at defeating the original program’s features, and the original program’s publisher brought suit for, among other things, breach of the license agreement. Id. at 257-258. The publisher relied on a Louisiana statute that expressly permitted software license agreements, under certain conditions, to prohibit reverse engineering of the subject software. Id. at 258.

The Fifth Circuit ruled in the user's favor, concluding that the state statute authorizing contracts that prohibit reverse engineering was unenforceable under the Copyright Act. Id. at 270. The court specifically relied upon section 117, which permits users to make adaptations to computer programs under certain circumstances, to hold that Louisiana law touched upon and conflicted with an area of federal copyright law. Id. at 269-70 (quoting Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964) (“[w]hen state law touches upon the area of [patent or copyright statutes], it is ‘familiar doctrine’ that the federal policy ‘may not be set at naught, or its benefits denied’ by the state law”) (quotations omitted). Accordingly, the Fifth Circuit held the state law agreement was preempted by the Copyright Act. Id. at 269.

For 15 years, Vault stood as the defining statement of federal law on the inability of states to prohibit the reverse engineering of computer software. There is no principled distinction between section 117, which relates to creating adaptations of computer programs, and section 107, which relates to fair use rights in general. Nor is there any principled distinction between a civil law jurisdiction's statute authorizing a particular type of contract and a common law jurisdiction's common law generally authorizing agreements between assenting parties. Just as the license agreement in Vault conflicted with section 117, a

license agreement that requires a user to forfeit fair use rights conflicts with section 107.

Indeed, a license agreement that requires a user to forfeit fair use rights conflicts not only with section 107 but with the very principles underlying a copyright system. See Campbell, 510 U.S. at 575-76. Thus, the conflict presented by a compulsory fair use waiver is even more significant than a conflict with section 117.

In 2003, however, the Federal Circuit issued its divided decision in Bowers, which upheld a compulsory license waiving fair use rights, including the right to reverse engineer a copyrighted work. The Bowers majority concluded that the license agreement at issue was not preempted by federal law under section 301 of the Copyright Act -- the Copyright Act's statutory preemption provision. Section 301 expressly prohibits state law from granting persons rights that are identical to rights granted under the Copyright Act. 17 U.S.C. § 301. Some courts analyze that provision by examining whether the state right contains an "extra element" from the elements comprising the right at issue under the Copyright Act. Bowers v. Baystate Tech., Inc., 320 F.3d 1317, 1324 (Fed. Cir. 2003) (citing Data Gen. Corp. v. Grumman Sys. Support Corp., 36 F.3d 1147, 1164 (1st Cir. 1994); Computer Assoc. Int'l., Inc. v. Altai, Inc., 982 F.2d 693, 716 (2d Cir. 1992)). The mutual assent and exchange of consideration found in a contractual agreements has

at times been held to provide an extra element to preclude statutory preemption under section 301. ProCD, Inc. v. Zeidenberg, 86 F.3d 1447 (7th Cir. 1996); see e.g., American Airlines, Inc. v. Wolens, 513 U.S. 219 (1995).

However, because a state-based right can bear an “extra element” for purposes of section 301 and still conflict with the federal policies established in the Copyright Act, the statutory preemption argument considered in Bowers is entirely distinct from the field and conflict preemption argument presented in this case.

Simple contract examples bring out this distinction. For instance, a compulsory agreement that extended the scope of a copyright holder’s exclusive rights indefinitely would surely contravene both the general federal policy of terminating copyright protection after the life of the author plus seventy years and the Constitutional requirement that Copyright rights be granted only for “a limited time.” See U.S. Const. Art. I, § 8; 17 U.S. C. § 302(a). Yet the “extra element” test associated with statutory preemption under section 301 would arguably be satisfied by the agreement if “consideration” alone were sufficient to preclude preemption. Similarly, a compulsory agreement that prohibited libraries from reproducing or distributing a work as provided by section 108 would surely contravene the federal policy surrounding that section, and yet an agreement could exist that would arguably permit the waiver to survive a statutory preemption analysis.

It is well settled that state law may be preempted even where it does not violate an express statutory provision. Freightliner v. Myrik, 514 U.S. at 288-89 (express clause does not foreclose, and still requires analysis of, implied preemption). As noted by Judge Dyk in his dissent in Bowers, the majority in that case ignored field and conflict preemption for reasons not apparent from the face of the opinion. Bowers, 320 F.3d at 1337. Were field and conflict preemption raised in that case and preserved, Bowers could not have reached the same result without error. In any case, because Bowers did not address field and conflict preemption at all, the Federal Circuit's decision there cannot stand for the proposition that state contract law may be used to abrogate the Copyright Act's fundamental balance between authors' and the public's rights through the expedient of a compulsory shrink-wrap or click-wrap license agreement.

Because the "extra-element" test applies solely to statutory preemption, and cannot inform the overarching questions concerning abrogation of federal intellectual property policy, the Vault analysis, and not that in Bowers, applies in this case. While the district court might reasonably have relied upon Bowers to reach a finding of no statutory preemption under section 301, the district court necessarily erred by not reaching the plainly presented questions of field and conflict preemption.

B. WHEN THE CORRECT LAW IS APPLIED, IT IS PLAIN THE DISTRICT COURT ERRED IN GRANTING SUMMARY JUDGMENT FOR THE PLAINTIFF ON THE PREEMPTION ISSUE.

When field and conflict preemption are properly examined, it is clear that the district court erred by entering summary judgment for the plaintiff in this case. A publisher who claims a copyright in a work cannot demand, by force of state law, that no person may use the work without surrendering the fair use rights given to the public through the Copyright Act. A more clear case of preemption would be difficult to comprehend.

As demonstrated above, state law will be preempted when that law permits federal policies to be “set at naught” or their “benefits denied.” See Sears, Roebuck & Co., 376 U.S. at 229 (citing Sola Elec. v. Jefferson Elec. Co., 317 U.S. 172, 173, 176 (1942)). As also set forth above, both section 107 and the fundamental concept of copyright establish that the public maintains the right to the fair use of copyrighted works. 17 U.S.C. § 107; Campbell v. Acuff-Rose, 510 U.S. 569, 576 (1994). For the public to be forced to relinquish such rights in order to use a copyrighted work is plainly incompatible and conflicts with the federal policies regarding fair use. Therefore, a compulsory license agreement accompanying computer software for which a copyright is claimed but which

cannot be used unless the user assents to a complete waiver of fair use rights, is necessarily preempted.

Were the contrary true and the district court correct, then a compulsory shrink-wrap license could effectively waive any of the limitations on copyright holders' exclusive rights set forward in sections 107 through 122 of Title 17. Still more striking, there is no principled basis to suggest that shrink-wrap agreements are uniquely applicable to computer software. Books, music products, art, photographs, motion pictures -- whether in traditional form or digital form -- could all come "wrapped" in a license that effectively negates the limitations Congress has carefully enacted to temper the exclusive rights given copyright holders. A license could prohibit a library from making a preservation copy permitted under section 108 or even lending a book as permitted by section 109. See 17 U.S.C. §§ 109(a). Other examples abound.

It bears emphasis that this Court need not decide in this case whether two parties could enter into an agreement that modifies the public's rights as established by the Copyright Act where that modification is independently supported by consideration. For instance, a publisher may sell a work that is not copyrighted, or for which he has dedicated his copyright to the public, with no use restrictions at one price and offer the same product with use restrictions at a lower price, in which case the publisher's consideration would be said to be not only the

right to use the work, embodied in its tangible medium, but also the independent consideration of the difference in price. Cf. ProCD, Inc. v. Zeidenberg, 86 F.3d 1447 (7th Cir. 1996) (publisher offered product with a significant use restriction at one price and without that restriction at a greater price). In this case, the stipulated facts as set forth by the district court suggest that the only consideration the plaintiff offered for its agreements with the public was the right to use the work. Under these circumstances, a mandatory waiver of fair use rights before the public can use the work is preempted by federal law.

It also bears mention that the plaintiff's mandatory license agreement here not only claimed a copyright and required abrogation of the public's fair use rights but also appeared to seek patent-like protection for the software without being subject to the limited time aspects or the public dedication requirements of the Patent Act. While this aspect of the license is not at issue in this case, it is plain that those who publish computer software cannot avoid the limitations of the federal intellectual property law, either the Copyright Act or the Patent Act, by rewriting that law in the guise of a mandatory state-based contract.

Plaintiff attempts to legislate special exclusive rights through shrink wrap license agreements that fall well beyond the scope of any permitted under the Copyright Act or the Patent Act. Copyright law and policy cannot be used to protect an idea or an invention. Patent law and policy does not protect, and in fact

deems dedicated to the public domain, any inventive subject matter from plaintiff's 1995 game.¹ While a copyright owner in this case may use copyright law to regulate reproduction and derivation from its products within the scope of the copyright for its widely published games, federal policy dictates that it is entitled to no more than that.

Federal policy does not permit the essential balance of intellectual property rights to be modified by using state law to grant patent-like and copyright-like protection for subject matter embodied in a copyrighted work for which copyright exclusive rights have been used and asserted. This is particularly true here, where the copyrighted work is not patented and it is improbable that the "protocol language" embodied in these published works would fall within the subject matter requirements of Copyright or Patent law. See 35 U.S.C. §§ 101, 103 (ideas and obvious subject matter not patentable); Lotus Dev. Corp. v. Borland Int'l, 49 F.3d 807 (1st Cir. 1995), aff'd by equally divided Court, 516 U.S. 233 (1996) (macro language not protectable under copyright).

If the district court decision is permitted to stand, federal copyright law will ultimately drown in a sea of state-law contract. Publishers could demand state-law

¹ The record below conclusively shows that plaintiff's Battlenet technology was published to the public at least as early as December 3, 1995 and therefore cannot embody patentable content unless a patent application was filed at least as early as December 3, 1996. See Complaint, Ex. C (U.S. Copyright Reg. No. PA 795-742).

licenses to avoid not only the fair use of reverse engineering, but all of the rights given to the public by Congress, and to expand their own limited rights under the Copyright and Patent Acts. In place of the federal intellectual property system's delicate balance of rights favoring authors and the public, state contract law will be substituted, and the federal system will, quite literally, collapse. Federal conflict principles regarding field and conflict preemption demand a contrary result.

CONCLUSION

For the reasons set forth above, this Court should reverse the district court's decision with regard to whether the Copyright Act preempts the parties' agreement insofar as it purports to waive the defendant's fair use rights. The Court should remand this case to the district court for further proceedings regarding whether the defendant's conduct constituted fair use.

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CERTIFICATE OF COMPLIANCE

I hereby certify that this brief complies with the type-volume and typeface requirements of Federal Rule of Appellate Procedure 32(a). This brief contains 5592 words. It has been prepared using a proportionately spaced typeface, Times New Roman 14 point, using Microsoft Word 2002.

Matthew J. Conigliaro

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