**When Easy Cases Make Bad Law**

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In Heckler v. Chaney, 470 U.S. 821, 840 (1985) (concurring), Justice Marshall made a vital point: "Easy cases at times produce bad law…." ProCD, Inc. v. Zeidenberg, 86 F.3d 1447 (7th Cir. 1996) seems to be such a case.

Stripped to its core, *ProCD* held that a party may, despite arguments based on contract and copyright preemption, limit uses of its data with shrink- and clickwrap licenses. Whatever may be said of the Court's analysis of contract law, I have come to agree with its rejection of the preemption argument.

The rationale, however, seems inadequate. The opinion states, 86 F.3d at 1454: "A copyright is a right against the world. Contracts, by contrast, generally affect only their parties…." The distinction finds some support but leaves much to be desired when, as there, contracts bind all potential purchaser-licensees.

Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 490 (1974), relied on that distinction in holding that state trade secret protection survives patent preemption. *Kewanee,* however, does not support the proposition that one may claim secrecy for something previously disclosed to the public; indeed, agreements there in issue bound only a discrete set of individuals who had dealt face-to-face.

Doubts about the reach of *Kewanee,* if any, should have been resolved by Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141 (1989). At 167, that opinion forbids states from preventing the duplication, however accomplished, of potentially patentable products acquired in the marketplace. *Bonito Boats* addressed only restrictions imposed against strangers, but imagine, for example, a conspicuous label stating: "CONSUMERS, PLEASE NOTE: Purchases are conditioned on promises not to duplicate this item."

Patents, far more than copyrights, run against the world because infringement requires neither access nor copying. It is nevertheless difficult to see how state

enforcement of point-of-sale agreements not to duplicate patentable subject matter could survive preemption. Were that so, many patents would be unnecessary.

Yet, aside from casting doubt on the proposition that contracts survive preemption because they do not run against the world, patents shed little light on state protection for unpatentable data. But what of copyright?

Feist Publications, Inc. v. Rural Telephone Service Company, Inc, 499 U.S. 340 (1991), may be most relevant. That white-page phone listings are not copyrightable, however, sheds little light on permissible state support for recovery of data-collection costs beyond the context of utility rate setting. Moreover, were preemption to preclude states' taking other measures, that would seem, as *ProCD* points out, 86 F.3d at 1454, to enable students with educational access to legal databases to sell it to law firms at substantial discounts. I am skeptical of the Court's rationale for evading preemption, but I am also skeptical that preemption compels such a result.

The situation in Bowers v. Baystate Technologies, Inc., 320 F.3d 1317 (Fed. Cir. 2003), however, must be distinguished. It concerns software protected by patent and copyright as well as by a shrinkwrap license that forbade reverse engineering, After a sympathetic jury in Massachusetts found Baystate liable for infringing his federal rights as well as for breaching the contract, copyright damages were stricken as duplicative of contract damages.

On appeal, the Federal Circuit unanimously agreed that the copyright award was duplicative and that the finding of patent infringement was unsupported. After granting rehearing on that issue, however, it split over whether federal copyright law should preempt enforcement of the shrinkwrap license.

Holding that the First Circuit would look to *ProCD,* the majority, 320 F.3d at 1325, rejected the preemption defense.

Reliying primarily on *Bonito Boats,* Judge Dyk dissented, urging, 320 F.3d at 1335, that: "The test for preemption by copyright law, like the test for patent law

preemption, should be whether the state law 'substantially impedes the public use of the otherwise unprotected' material."

The majority recognized that 17 U.S.C. § 102(b) precludes undue overlap of copyright and patent law, but Judge Dyk did not cite it. Yet, it seems at least to augment his position.

Although preemption was not involved, Lotus Development Corp. v. Borland International, Inc., 49 F.3d 807 (1st Cir. 1995), goes far in showing why that is so. In that case, § 102(b) was found to exclude Lotus' computer commands from copyright protection. Could Lotus have instead protected its commands by use of a *ProCD*-type license? If so, the First Circuit would agree to an analogous result in *Baystate.* Yet, it is difficult to see how that could be.

Whatever the limits of acceptable state protection for databases, software is different. Software may be protected by copyright, but that protection is limited by § 102(b). Patents offer the possibility of additional protection, but Bowers patent was not infringed. Until it is published, trade secrecy offers a third option, but making that protection available after publication is problematic. *Baystate* seems to offer that possibility, but the Supreme Court has strongly indicated otherwise.

I am glad to have heard *ProCD* discussed a recent Association of American Law Schools meeting and for additional insights offered by Professor Jack M. Graves, Stetson University College of Law. I hasten to add, however, that I speak only for myself.