86 F.3d 1447, *; 1996 U.S. App. LEXIS 14951, **;
39 U.S.P.Q.2D (BNA) 1161; Copy. L. Rep. (CCH) P27,529

[note: this is an edited version of the case]

PROCD, INCORPORATED, Plaintiff-Appellant, v. MATTHEW ZEIDENBERG and SILKEN MOUNTAIN WEB SERVICES, INC., Defendants-Appellees.

No. 96-1139

UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

86 F.3d 1447; 1996 U.S. App. LEXIS 14951; 39 U.S.P.Q.2D (BNA) 1161; Copy. L. Rep. (CCH) P27,529; 29 U.C.C. Rep. Serv. 2d (Callaghan) 1109

May 23, 1996, Argued

June 20, 1996, Decided

EASTERBROOK, *Circuit Judge.*

* * *

III

The district court held that, even if Wisconsin treats shrinkwrap licenses as contracts, ß 301(a) of the Copyright Act, *17 U.S.C. ß 301*(a), prevents their enforcement. *908 F. Supp. at 656-59.* The relevant part of ß 301(a) preempts any "legal or equitable rights [under state law] 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". ProCD's software and data are "fixed in a tangible medium of expression", and the district judge held that they are "within the subject matter of copyright". The latter conclusion is plainly right for the copyrighted application program, and the judge thought that the data likewise are "within the subject matter of copyright" even if, after Feist, they are not sufficiently original to be copyrighted. *908 F. Supp. at 656-57. Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n, 805 F.2d 663,* [**20] *676 (7th Cir. 1986),* supports that conclusion, with which commentators agree. E.g., Paul Goldstein, III *Copyright* ß 15.2.3 (2d ed. 1996); Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* ß 101[B] (1995); William F. Patry, II *Copyright Law and Practice* 1108-09 (1994). One function of ß 301(a) is to prevent states from giving special protection to works of authorship that Congress has decided should be in the public domain, which it can accomplish only if "subject matter of copyright" includes all works of a *type* covered by sections 102 and 103, even if federal law does not afford protection to them. Cf. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 103 L. Ed. 2d 118, 109 S. Ct. 971 (1989)* (same principle under patent laws).

[*1454] But are rights created by contract "equivalent to any of the exclusive rights within the general scope of copyright"? Three courts of appeals have answered "no." *National Car Rental Systems, Inc. v. Computer Associates International, Inc., 991 F.2d 426, 433 (8th Cir. 1993); Taquino v. Teledyne Monarch Rubber, 893 F.2d 1488, 1501 (5th Cir. 1990); Acorn Structures, Inc. v. Swantz, 846 F.2d 923, 926 (4th Cir. 1988).* The district court disagreed [**21] with these decisions, *908 F. Supp. at 658,* but we think them sound. Rights "equivalent to any of the exclusive rights within the general scope of copyright" are rights established *by law*--rights that restrict the options of persons who are strangers to the author. Copyright law forbids duplication, public performance, and so on, unless the person wishing to copy or perform the work gets permission; silence means a ban on copying. A copyright is a right against the world. Contracts, by contrast, generally affect only their parties; strangers may do as they please, so contracts do not create "exclusive rights." Someone who found a copy of SelectPhone (trademark) on the street would not be affected by the shrinkwrap license--though the federal copyright laws of their own force would limit the finder's ability to copy or transmit the application program.

Think for a moment about trade secrets. One common trade secret is a customer list. After *Feist,* a simple alphabetical list of a firm's customers, with address and telephone numbers, could not be protected by copyright. Yet *Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 40 L. Ed. 2d 315, 94 S. Ct. 1879 (1974),* holds that contracts about trade secrets may be [**22] enforced--precisely because they do not affect strangers' ability to discover and use the information

independently. If the amendment of ß 301(a) in 1976 overruled *Kewanee* and abolished consensual protection of those trade secrets that cannot be copyrighted, no one has noticed--though abolition is a logical consequence of the district court's approach. Think, too, about everyday transactions in intellectual property. A customer visits a video store and rents a copy of *Night of the Lepus.* The customer's contract with the store limits use of the tape to home viewing and requires its return in two days. May the customer keep the tape, on the ground that ß 301(a) makes the promise unenforceable?

A law student uses the LEXIS database, containing public-domain documents, under a contract limiting the results to educational endeavors; may the student resell his access to this database to a law firm from which LEXIS seeks to collect a much higher hourly rate? Suppose ProCD hires a firm to scour the nation for telephone directories, promising to pay $ 100 for each that ProCD does not already have. The firm locates 100 new directories, which it sends to ProCD with an invoice for [**23] $ 10,000. ProCD incorporates the directories into its database; does it have to pay the bill? Surely yes; *Aronson v. Quick Point Pencil Co., 440 U.S. 257, 59 L. Ed. 2d 296, 99 S. Ct. 1096 (1979),* holds that promises to pay for intellectual property may be enforced even though federal law (in Aronson, the patent law) offers no protection against third-party uses of that property. See also *Kennedy v. Wright, 851 F.2d 963 (7th Cir. 1988).* But these illustrations are what our case is about. ProCD offers software and data for two prices: one for personal use, a higher price for commercial use. Zeidenberg wants to use the data without paying the seller's price; if the law student and Quick Point Pencil Co. could not do that, neither can Zeidenberg.

Although Congress possesses power to preempt even the enforcement of contracts about intellectual property--or railroads, on which see *Norfolk & Western Ry. v. Train Dispatchers, 499 U.S. 117, 111 S. Ct. 1156, 113 L. Ed. 2d 95 (1991)*--courts usually read preemption clauses to leave private contracts unaffected. *American Airlines, Inc. v. Wolens, 130 L. Ed. 2d 715, 115 S. Ct. 817 (1995),* provides a nice illustration. A federal statute preempts any state "law, rule, regulation, standard, or other provision ... relating [**24] to rates, routes, or services of any air carrier." *49 U.S.C. App. ß 1305*(a)(1). Does such a law preempt the law of contracts--so that, for example, an air carrier need not honor a quoted price (or a contract to reduce the price by the value of frequent flyer miles)? The Court allowed that it is possible to read the statute that [*1455] broadly but thought such an interpretation would make little sense. Terms and conditions offered by contract reflect private ordering, essential to the efficient functioning of markets. *115 S. Ct. at 824-25.* Although some principles that carry the name of contract law are designed to defeat rather than implement consensual transactions, *id.* at 826 n.8, the rules that respect private choice are not preempted by a clause such as ß 1305(a)(1). Section 301(a) plays a role similar to ß 1301(a)(1): it prevents states from substituting their own regulatory systems for those of the national government. Just as ß 301(a) does not itself interfere with private transactions in intellectual property, so it does not prevent states from respecting those transactions. Like the Supreme Court in *Wolens,* we think it prudent to refrain from adopting a rule that anything [**25] with the label "contract" is necessarily outside the preemption clause: the variations and possibilities are too numerous to foresee. *National Car Rental* likewise recognizes the possibility that some applications of the law of contract could interfere with the attainment of national objectives and therefore come within the domain of ß 301(a). But general enforcement of shrinkwrap licenses of the kind before us does not create such interference.

Aronson emphasized that enforcement of the contract between Aronson and Quick Point Pencil Company would not withdraw any information from the public domain. That is equally true of the contract between ProCD and Zeidenberg. Everyone remains free to copy and disseminate all 3,000 telephone books that have been incorporated into ProCD's database. Anyone can add sic codes and zip codes. ProCD's rivals have done so. Enforcement of the shrinkwrap license may even make information more readily available, by reducing the price ProCD charges to consumer buyers. To the extent licenses facilitate distribution of object code while concealing the source code (the point of a clause forbidding disassembly), they serve the same procompetitive functions [**26] as does the law of trade secrets. *Rockwell Graphic Systems, Inc. v. DEV Industries, Inc., 925 F.2d 174, 180 (7th Cir. 1991).* Licenses may have other benefits for consumers: many licenses permit users to make extra copies, to use the software on multiple computers, even to incorporate the software into the user's products. But whether a particular license is generous or restrictive, a simple two-party contract is not "equivalent to any of the exclusive rights within the general scope of copyright" and therefore may be enforced.

REVERSED AND REMANDED