



Fall 9-1-2001

Could Fair Use Equal Breach of Contract?: An Analysis of Informational Web Site User Agreements and Their Restrictive Copyright Provisions

Matthew D. Walden

Follow this and additional works at: <https://scholarlycommons.law.wlu.edu/wlulr>



Part of the [Contracts Commons](#), and the [Intellectual Property Law Commons](#)

Recommended Citation

Matthew D. Walden, *Could Fair Use Equal Breach of Contract?: An Analysis of Informational Web Site User Agreements and Their Restrictive Copyright Provisions*, 58 Wash. & Lee L. Rev. 1625 (2001).

Available at: <https://scholarlycommons.law.wlu.edu/wlulr/vol58/iss4/15>

This Note is brought to you for free and open access by the Washington and Lee Law Review at Washington and Lee University School of Law Scholarly Commons. It has been accepted for inclusion in Washington and Lee Law Review by an authorized editor of Washington and Lee University School of Law Scholarly Commons. For more information, please contact christensena@wlu.edu.

Could Fair Use Equal Breach of Contract?: An Analysis of Informational Web Site User Agreements and Their Restrictive Copyright Provisions

Matthew D. Walden*

Table of Contents

I.	Introduction	1626
A.	Factual Background: Hidden Terms and Conditions? . . .	1627
B.	Legal Issues Raised	1629
II.	Contractual Issues	1630
A.	Traditional Contract Law Principles	1630
1.	Mutual Assent and Noticeability of Terms	1630
2.	Consideration	1632
B.	Expansion of Contract Law	1634
1.	Clickwrap Cases	1634
2.	Shrinkwrap Cases	1636
3.	Browsewrap Cases	1642
C.	Extrapolating From Clickwrap, Shrinkwrap, and Browsewrap Cases	1644
1.	The Relevance of Clickwrap Cases	1645
2.	The Relevance of Shrinkwrap Cases	1645
3.	The Relevance of Browsewrap Cases	1646
D.	Potential Impact of the Uniform Computer Information Transactions Act (UCITA)	1647
E.	Conclusion of Contract Section	1650
III.	Federal Copyright Law Applied to Informational Web Sites . .	1650
A.	Federal Copyright Law – Subject Matter	1650
B.	Fair Use Defense to Copyright Infringement	1653
1.	Fair Use Factors: Purpose and Character of the Use of the Work	1655

* The author would like to thank Professors Samuel W. Calhoun, Sally K. Wiant, and Ruth C. Walden for their assistance and support in the development and production of this Note.

2.	Fair Use Factors: Nature of the Copyrighted Work . . .	1657
3.	Fair Use Factors: Amount and Substantiality of the Portion Used in Relation to the Copyrighted Work as a Whole	1658
4.	Fair Use Factors: Effect of Use upon the Potential Market or Value of the Copyrighted Work	1660
C.	Fair Use as a Defense to Infringement on the Web	1662
IV.	Federal Preemption of State Law Contract Claims	1662
A.	Cases in Which Federal Law Preempted State Law	1665
B.	Cases in Which Federal Law Did Not Preempt State Law	1667
C.	Federal Copyright Law Will Preempt the State Law Online User Agreements	1671
V.	Tying It All Together	1671

I. Introduction

Imagine that you are writing a thesis concerning media coverage of politics in the Middle East. You log onto the Internet and find numerous useful articles concerning the recent election in Israel on the web site of the *New York Times*. Deciding that these articles would be helpful, you print them out. Then, in the course of writing your thesis, you use the articles as evidence of bias in the media. Later, your thesis is published in a scholarly journal, and you win numerous accolades. However, a month later, you are served with a summons and complaint. The plaintiff, the *New York Times*, alleges *breach of contract* for your use of its articles. When, you ask, did I enter into a contract with the *New York Times*?

This scenario is not as farfetched as it may seem. Many of the most popular web sites today are informational sites, such as those operated by the *Washington Post*, the *New York Times*, the *Chicago Tribune*, CNN, ESPN, and other information providers. These web sites contain traps for the unwary: online user agreements, otherwise known as terms and conditions of use, that supposedly are binding on the web site user and that contain copyright provisions that are more restrictive than federal copyright law. Although several scholars have addressed the numerous contractual problems that arise from Internet use,¹ and others have addressed the impact of the Internet on federal

1. See Gerald J. Ferguson & Oliver J. Armas, *Enforcing Electronic Contracts in the Americas*, 13-AUT INT'L L. PRACTICUM 94 (2000) (addressing law concerning creation of electronic contracts and emphasizing potential international character of such contracts); William W. Fisher III, *Property and Contract on the Internet*, 73 CHI.-KENT L. REV. 1203 (1998) (arguing that intellectual property owners will soon rely less on intellectual property law and more on contract rights and technological protection to charge consumers to access online information).

copyright law,² none have addressed the interrelated questions of whether these user agreements are enforceable contracts and whether the copyright provisions contained therein are enforceable under federal copyright law. This Note fills that void.

A. *Factual Background: Hidden Terms and Conditions?*

Numerous web sites provide free information and news to anyone who has access to the Internet. To protect the content of their web sites, the web site owners typically attach terms and conditions of use to their sites.³ The user can view these terms and conditions by "clicking" on a link usually located at the bottom of the web site's home, or main, page.⁴ For example, at the bottom of the [Washingtonpost.com](http://www.washingtonpost.com)'s home page, there is a link titled "Member Agreement and Privacy Policy" and another titled "Copyright."⁵ Similarly, the home page of [ESPN.com](http://www.espn.com) contains a link titled "Terms of Use" at the bottom of the page.⁶ These links are underlined and their text usually appears in a contrasting color to signify that the user can "click" on them to access the terms and agreements.⁷

2. See, e.g., Tom W. Bell, *Fair Use vs. Fared Use: The Impact of Automated Rights Management on Copyright's Fair Use Doctrine*, 76 N.C. L. REV. 557, 560 (1998) (explaining that automated rights management, as method to track and monitor exchange of information on Internet, "enables information providers to enforce standard copyright claims mechanically, without resort to litigation" by charging fees for information exchanges); Edmund W. Kitch, *Can The Internet Shrink Fair Use?*, 78 NEB. L. REV. 880 (1999) (exploring idea that Internet will cause scope of permitted fair use of copyrighted work to shrink); Daniel Ovanezian, Comment, *Internet Search Engine Copying: Fair Use Defense to Copyright Infringement*, 14 SANTA CLARA COMPUTER & HIGH TECH. L.J. 267 (1998) (addressing idea that Internet search engine companies, when they catalogue web sites in order to provide access to Internet users, may be committing copyright infringement against owners of web sites that are so catalogued).

3. See, e.g., *The New York Times on the Web Subscriber Agreement*, available at <http://www.nytimes.com/info/help/agree.html> (last visited Sept. 19, 2001) (setting forth web site terms of use); *The Chicago Tribune Copyright and Terms of Service*, available at <http://www.chicago.tribune.com/services/site/chi-copyright.htmlstory> (last visited Sept. 19, 2001) (listing terms of service); *CNN.com Interactive Service Agreement*, available at http://www.cnn.com/interactive_legal.html (last visited Sept. 19, 2001) (setting forth web site's user agreement).

4. See *infra* notes 5-7 and accompanying text (discussing process by which user can view terms and conditions).

5. *Washingtonpost.com*, available at <http://www.washingtonpost.com> (last visited Sept. 23, 2001).

6. *ESPN.com*, available at <http://espn.go.com> (last visited Sept. 23, 2001).

7. *ESPN.com*'s Terms of Use link is simply underlined to signify that it is a link to more text. *ESPN.com*, available at <http://espn.go.com> (last visited Sept. 23, 2001). The *Washingtonpost.com*'s Member Agreement and Privacy Policy link and its Copyright link are both underlined and highlighted in blue text. *Washingtonpost.com*, available at <http://www.washingtonpost.com> (last visited Feb. 8, 2001). *CNN.com*'s Terms link is also underlined and written in blue. *CNN.com*, available at <http://www.cnn.com> (last visited Sept. 19, 2001).

Should a user decide to click on one of these links, that user will encounter language explaining that, by using the site, the user is bound to the terms and conditions of that site. For example, the New York Times on the Web states that, "[i]f you choose to use the NYT Web service . . . you will be agreeing to abide by all of the terms and conditions of this Agreement between you and the New York Times on the Web."⁸ The other sites contain similar language.⁹

Within these web site terms and conditions are various copyright provisions.¹⁰ For example, the Washingtonpost.com's site contains a copyright notice that states as follows:

You may not copy, reproduce, distribute, publish, display, perform, modify, create derivative works, transmit, or in any way exploit any part of this service, except that you may download material from this service for your own personal, noncommercial use as follows: you may make one machine readable copy and/or one print copy that is limited to occasional articles of personal interest only.¹¹

Similarly, the New York Times Copyright Notice says "you may download material from the New York Times on the Web (one machine readable copy and one print copy per page) for your personal, noncommercial use only."¹² Other sites contain similar language.¹³

8. The New York Times on the Web Subscriber Agreement, *available at* <http://www.nytimes.com/info/help/agree.html> (last visited Feb. 8, 2001).

9. See CNN.com Interactive Service Agreement, *available at* http://www.cnn.com/interactive_legal.html (last visited Sept. 19, 2001) (stating that "[b]y using CNN Interactive (other than to read this agreement for the first time), Subscriber agrees to comply with all the terms and conditions hereof"); ESPN.com Terms of Service, *available at* <http://espn.go.com/sitertools/s/terms.html> (last visited Sept. 19, 2001) (stipulating that "ESPN.com provides its service to you, subject to the following Terms of Service ("TOS"), which may be updated by us from time to time without notice to you"); Washingtonpost.com User Agreement and Privacy Policy, *available at* <http://www.washingtonpost.com/wp-srv/interact/longterm/talk/members.htm> (last visited Sept. 19, 2001) (stating that "[b]y using this Service, you agree to be bound by the terms of this Agreement and by the Service Discussion Guidelines").

10. See *infra* notes 11-13 and accompanying text (describing copyright provisions on informational web sites).

11. Washingtonpost.com Copyright Notice, *available at* <http://www.washingtonpost.com/wp-srv/interact/longterm/talk/copy.htm> (last visited Sept. 21, 2001).

12. The New York Times Copyright Notice, *available at* <http://www.nytimes.com/info/help/copyright.html> (last visited Sept. 19, 2001).

13. See The Chicago Tribune Copyright and terms of service, *available at* <http://www.chicagotribune.com/services/site/chi-copyright/htmlstory> (last visited Feb. 8, 2001). ("You may use the content online and solely for your personal, non-commercial use, and you may download or print a single copy of any portion of the Content for your personal, non-commercial use . . ."); CNN Interactive Service Agreement, *available at* http://www.cnn.com/interactive_legal.html (last visited Sept. 19, 2001) (stating that material on CNN's website is copyrighted and that "[s]ubscriber may not modify, publish, transmit, participate in the transfer or sale, cre-

B. Legal Issues Raised

The first legal question raised by these web sites is whether the terms and conditions are enforceable agreements. The terms are not negotiated, and most users probably do not read them. Therefore, the question is whether the user has manifested assent to the terms. Further, a court may struggle to find consideration for the agreement because the web sites do not charge fees to access their sites. Although no case has specifically addressed the enforceability of these terms and conditions, it is possible to analogize to other types of contract cases. For example, in a class of cases commonly called "click-wrap" cases, the user of a web site clicks on "I agree" to manifest assent to the terms of the web site.¹⁴ A second class of cases involves so-called "shrink-wrap" contracts, in which courts have held that terms of a contract enclosed in packaging are binding on a buyer once the buyer opens the package.¹⁵ Finally, a third class of cases involves what are called "browsewrap" contracts, in which contract terms are actually part of a web site, and the user supposedly assents to those terms merely by viewing the web site.¹⁶ These three types of cases are distinguishable from the informational web site agreements, but they do suggest that courts are willing to find binding contracts under non-traditional circumstances.

If the agreements are enforceable, the second legal issue is whether the restrictive copyright provisions are valid under federal copyright law. Federal copyright law provides a broad defense to copyright infringement actions known as the fair use doctrine.¹⁷ This doctrine allows a wider variety of uses of copyrighted material than the copyright provisions contained in informational web sites. For example, under the fair use doctrine, a teacher should be allowed to make multiple copies of a news article provided by Washingtonpost.com and distribute the copies to her students.¹⁸ However, the copyright notice forbids her from doing so.¹⁹ Thus, these Internet conditions are in direct conflict with the federal fair use doctrine. The Copyright Act addresses

ate derivative works, or in any way exploit, any of the content, in whole or in part," but that "[s]ubscriber may download copyrighted material for Subscriber's personal use only").

14. See *infra* Part II.B.1 (discussing clickwrap cases).

15. See *infra* Part II.B.2 (discussing shrinkwrap cases).

16. See *infra* Part II.B.3 (discussing browsewrap cases).

17. See 17 U.S.C. § 107 (1994) ("[T]he fair use of a copyrighted work, including such use by reproduction in copies . . . for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright.").

18. See *id.* ("including multiple copies for classroom use").

19. See Washingtonpost.com Copyright Notice, available at <http://www.washingtonpost.com/wp-srv/interact/longterm/talk/copy.htm> (last visited Sept. 19, 2001) (explaining that user "may make *one* machine readable copy and/or *one* print copy that is limited to occasional articles of *personal interest only*") (emphasis added).

such a conflict in 17 U.S.C. § 301.²⁰ Under this section, federal copyright law – and the fair use doctrine – may or may not preempt the state law Internet contracts and the copyright provisions contained therein.²¹

Although these two questions could be treated separately, they seem inextricably and inevitably intertwined. Therefore, it is proper to address them both in this Note. Part II of this Note will first discuss the contractual requirements of mutual assent and consideration and then will analyze the impact of clickwrap, shrinkwrap, and browsewrap cases on the validity of online user agreements. Part III of this Note will begin to address federal copyright law; specifically, Part III will analyze the fair use defense and the four statutory fair use factors. Then, in Part IV, this Note will discuss federal preemption of state law contract claims. In a case involving the fair use of Internet sites, preemption is warranted. Finally, Part V will tie the preceding subjects together and conclude that the copyright provisions of the online user agreements are unenforceable.

II. Contractual Issues

In order to decide whether web site user agreements are valid contracts, it is first necessary to determine whether such agreements satisfy the contractual requirements of mutual assent and exchange of consideration. The recent clickwrap cases, shrinkwrap cases, and browsewrap cases provide useful analogies, and they must be discussed as well. However, because the clickwrap and shrinkwrap cases are distinguishable from cases involving online user agreements and because there is a split of authority regarding the browsewrap cases, these cases do not necessarily answer the ultimate question of the enforceability of online user agreements.

A. Traditional Contract Law Principles

1. Mutual Assent and Noticeability of Terms

Web site user agreements and copyright notices raise the question of whether the traditional contractual requirement of mutual assent has been met. Mutual assent is a prerequisite to an enforceable contract; that is, each party

20. See 17 U.S.C. § 301 (1994) (stipulating that federal copyright law preempts equivalent state rights in copyrighted work). Section 301 provides as follows:

[A]ll 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 . . . 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.

Id.

21. See *infra* Part IV (discussing federal preemption of state causes of action).

must manifest its assent to the terms of a contract before such contract is valid.²² Manifestation of assent may be accomplished by either conduct or a promise.²³ A party's objective manifestations, not its subjective intentions, are usually the determining factors in assessing whether mutual assent exists.²⁴ In other words, when a party has extended an offer, the offeree's objective acts concerning that offer may constitute acceptance of the offer.²⁵ Courts have held that "when an offeree accepts the offeror's services without expressing any objection to the offer's essential terms, the offeree has manifested assent to those terms."²⁶ Following this rule, it would seem that an Internet user's objective act of visiting the web site constitutes a manifestation of assent to the terms, conditions, and copyright notices of that web site.

However, a party's objective act is insufficient to constitute assent unless that party has notice that the act may cause the other party to infer assent.²⁷ Thus, the location and nature of the links to the online terms raise the question of whether there is adequate notice. As one commentator stated, "[e]nforceability is still likely to depend in large part on whether the . . . agreement is effectively brought to the attention of users."²⁸ Courts will not enforce a con-

22. See RESTATEMENT (SECOND) OF CONTRACTS § 17(1) (1981) (stating that "the formation of a contract requires a bargain in which there is a manifestation of mutual assent").

23. See *id.* § 18 (stating that "[m]anifestation of mutual assent to an exchange requires that each party either make a promise or begin or render a performance").

24. See *McDonald v. Mobil Coal Producing, Inc.*, 820 P.2d 986, 990 (Wyo. 1991) (explaining that defendant's "subjective 'intent' to contract is irrelevant, if [defendant's] intentional, objective manifestations to [plaintiff] indicated assent to a contractual relationship"); RESTATEMENT (SECOND) OF CONTRACTS § 21 ("Neither real nor apparent intention that a promise be legally binding is essential to the formation of a contract . . .").

25. See *Weichert Co. Realtors v. Ryan*, 608 A.2d 280, 284 (N.J. 1992) (stating that "offeree may manifest assent to the terms of an offer . . . by conduct, creating a contract implied-in-fact").

26. *Graziano v. Grant*, 741 A.2d 156, 162 (N.J. Super. 1999) (quoting *Weichert*, 608 A.2d at 285). The *Weichert* court also explained that "where an offeree gives no indication that he or she objects to any of the offer's essential terms, and passively accepts the benefits of an offeror's performance, the offeree has impliedly manifested his or her unconditional assent to the terms of the offer." *Weichert*, 608 A.2d at 285.

27. See RESTATEMENT (SECOND) OF CONTRACTS § 19(2) ("The conduct of a party is not effective as a manifestation of his assent unless he intends to engage in the conduct and knows or has reason to know that the other party may infer from his conduct that he assents."); *id.* § 19 cmt. b (providing definition of "reason to know"). Comment (b) states:

A person has reason to know a fact, present or future, if he has information from which a person of ordinary intelligence would infer that the fact in question does or will exist . . . There is also reason to know if the inference would be that there is such a substantial chance of the existence of the fact that, if exercising reasonable care with reference to the matter in question, the person would predicate his action upon the assumption of its possible existence.

Id.

28. Jonathan D. Hart et al., *Cyberspace Liability*, 523 PLIPat 123, 171 (1998).

tract if one of the parties is not given adequate notice of the terms of the contract.²⁹ On the other hand, courts sometimes bind a party to contractual terms that are relatively hidden.³⁰ In the case of these web sites, the conditions and copyright notices are often relatively hidden.³¹ The links are located at the bottom of the web sites' home pages and are highlighted and usually underlined to indicate that the user can click on them and see the actual terms and conditions.³² Unless the web site owners make the terms more conspicuous, a court could find that a user did not receive adequate notice of them.

2. Consideration

Also, a court may struggle to find an exchange of consideration between the user and the information provider. A bargained for exchange of consideration is a prerequisite to an enforceable contract.³³ Therefore, the question is whether an exchange of consideration occurs when the Internet user begins to view the contents of one of the informational web sites. An exchange of consideration may occur in a variety of ways.³⁴ First, it is possible to argue that

29. See *Lisi v. Alitalia-Linee Aeree Italiane*, 370 F.2d 508, 514 (2d Cir. 1966) (reasoning that plaintiffs were not given adequate notice of airline's limited liability because statements notifying passengers of limited liability were "ineffectively positioned, diminutively sized, and unemphasized by bold face type, contrasting color, or anything else"), *aff'd*, 390 U.S. 455 (1968).

30. See *Carnival Cruise Lines v. Shute*, 499 U.S. 585, 595 (1991) (concluding that forum selection clause contained in fine print on cruise line ticket will not be set aside because respondents had adequate notice of clause, respondents failed to meet burden of proving inconvenience, and clause was not fundamentally unfair); *Caspi v. Microsoft Network*, 732 A.2d 528, 532 (N.J. Super. Ct. App. Div. 1999) (finding that plaintiffs had adequate notice of terms of service and forum selection clause contained therein).

31. *But see Hart et al.*, *supra* note 28, at 172 ("Many web publishers include a link to their visitor agreement in a reasonably noticeable location, such as at the bottom of the home page and perhaps other high traffic pages, often in proximity to copyright notices.").

32. For example, the link to the *Washingtonpost.com*'s copyright notice is located at the bottom of the home page, and is differentiated from the rest of the text because it is highlighted in blue and underlined. Likewise, the link to *ESPN.com*'s terms of use is located at the bottom of the home page, together with a link to the site's Privacy Policy and Safety Information and a link to the site's Employment Opportunities, and it is differentiated from the non-link text because it is underlined.

33. See *Yerkovich v. AAA*, 610 N.W.2d 542, 546 (Mich. 2000) ("An essential element of a contract is legal consideration"); RESTATEMENT (SECOND) OF CONTRACTS § 17 (1981) (stating that "the formation of a contract requires a bargain in which there is . . . a consideration").

34. See RESTATEMENT (SECOND) OF CONTRACTS § 71 (1981) (describing requirement and types of exchanges of consideration). Section 71 provides as follows:

- (1) To constitute consideration, a performance or a return promise must be bargained for.
- (2) A performance or return promise is bargained for if it is sought by the promisor in exchange for his promise and is given by the promisee in exchange for that promise.

the user provides consideration by implicitly promising to abide by the terms of the web site,³⁵ and the web site owner provides consideration by performing the act of posting information.³⁶

Of course, the key inquiry is whether there was actually a bargain.³⁷ The Restatement of Contracts³⁸ provides that a "performance or return promise is bargained for if it is sought by the promisor in exchange for his promise and is given by the promisee in exchange for that promise."³⁹ Under this language, it can be argued that there is a bargain because the web site owner's performance is sought by the user in exchange for the user's promise to abide by the terms of service.

Second, it could be argued that there is an exchange of consideration because there is an exchange of performances – that is, the web site owner performs the act of providing information while the user performs the act of abiding by the terms of service. According to the Restatement, a bargain can consist of an exchange of performances.⁴⁰ Therefore, if the web site owner and user exchange performances, the resulting bargain can constitute consideration under § 71 of the Restatement.⁴¹

Third, an exchange of consideration may be found because, in these web site situations, there is either a benefit to the promisor or a detriment to the promisee. Some courts use this benefit or detriment analysis in determining whether valid consideration exists.⁴² Under this analysis, the web site owner

- (3) The performance may consist of
 - (a) an act other than a promise, or
 - (b) a forbearance, or
 - (c) the creation, modification, or destruction of a legal relation.
- (4) The performance or return promise may be given to the promisor or to some other person. It may be given by the promisee or by some other person.

Id.

35. *See id.* § 75 (stating that "a promise which is bargained for is consideration if, but only if, the promised performance would be consideration"). Therefore, a user's "promise" to abide by the web site's terms is consideration if the performance of abiding by the terms itself would constitute consideration. Most likely, this performance would constitute consideration.

36. *See id.* § 72 (stating that "any performance which is bargained for is consideration").

37. *See id.* § 71(1) ("To constitute consideration, a performance or a return promise must be bargained for.") (emphasis added).

38. The Restatement, although not binding on courts, is highly persuasive authority.

39. RESTATEMENT (SECOND) OF CONTRACTS § 71(2) (1981).

40. *See id.* § 3 (stating that "[a] bargain is an agreement to exchange promises or to exchange a promise for a performance or to exchange performances").

41. *See id.* § 71 (explaining that exchange of performances can constitute consideration).

42. *See Hurd v. Wildman, Harrold, Allen & Dixon*, 707 N.E.2d 609, 615 (Ill. App. Ct. 1999) (stating that "[a]ny act or promise that is a benefit to one party or a detriment to the other is a sufficient consideration to support a contract"); *Theobald v. Nossner*, 752 So.2d 1036, 1040 (Miss. 1999) (stating that "[a]ll that is needed to constitute a valid consideration to support an

receives a benefit when the user views his site because, presumably, the more Internet users that visit the web site, the more the web site owner can charge advertisers. Conversely, the web site user suffers a detriment by surrendering legal rights to which he or she might otherwise be entitled.⁴³ On the other hand, it can be said that the user gains a benefit by obtaining useful information. Under either analysis, a court applying the benefit or detriment analysis may conclude that the web site user agreement is supported by valid consideration. Therefore, because of the various ways in which to find an exchange of consideration, this requirement appears easier to satisfy than the requirement of mutual assent.

B. Expansion of Contract Law

In recent years, courts have found the existence of traditional contractual requirements in previously unencountered situations. As mentioned above, there are three new classes of cases that are potentially relevant to the enforceability of online user agreements. The first of these are called clickwrap cases, the second are commonly known as shrinkwrap cases, and the third are called browsewrap cases. All three will be described herein, but the browsewrap cases, and to a lesser extent the shrinkwrap cases, are most similar to the contractual issues presented by online user agreements.

1. Clickwrap Cases

Clickwrap, or click-through, contracts are relevant to online user agreements because they are actually created on the Internet. These cases involve links on a web page that say "I agree" or "I disagree."⁴⁴ Normally, the user must click on "I agree" in order to proceed through the site or register for the service provided by the web site.⁴⁵

In *Groff v. America Online, Inc.*,⁴⁶ the Superior Court of Rhode Island addressed the validity of a clickwrap contract.⁴⁷ *Groff* involved the enforce-

agreement or contract is that there must be either a benefit to the promisor or a detriment to the promisee. If either of these requirements exist, there is a sufficient consideration" (quoting *American Olean Tile Co. v. Morton*, 157 So.2d 788, 790 (Miss. 1963)).

43. See *Crocker v. Hood*, 681 N.E.2d 460, 463 (Ohio Ct. App. 1996) (explaining that "[a] detriment may consist of some forbearance, loss or responsibility given, suffered or undertaken by the promisee").

44. See *infra* notes 46-57 and accompanying text (discussing clickwrap cases).

45. See *infra* notes 46-57 and accompanying text (discussing requirement of clicking on "I agree" in clickwrap cases).

46. 1998 WL 307001 (R.I. Super. 1998).

47. *Groff v. Am. Online, Inc.*, 1998 WL 307001 (R.I. Super. 1998) (ruling that forum selection clause contained in defendant's terms of service was enforceable because user had clicked his computer mouse on "I agree" button). In *Groff*, the plaintiff had registered for the defendant's Internet service. *Id.* at *1. As a prerequisite to obtaining such service, the plaintiff

ability of a forum selection clause contained in America Online's terms of service.⁴⁸ The plaintiff, when registering for online service, had the option of clicking on "I agree" or "I disagree" to the terms of service and chose the former.⁴⁹ However, he argued that he did not read the terms of service prior to choosing "I agree" and that the parties had not negotiated the terms.⁵⁰ The court ruled against the plaintiff, explaining that he effectively signed the terms by clicking on "I agree."⁵¹ The court therefore rejected the plaintiff's contention that he should not be bound because he did not see or read the terms.⁵²

Several other courts have reached conclusions similar to the one in *Groff*. For example, in *Hotmail Corp. v. Van\$ Money Pie, Inc.*,⁵³ the United States District Court for the Northern District of California held that a mass-marketing clickwrap agreement was indeed a binding contract.⁵⁴ Also, in *Caspi v. Microsoft Network*,⁵⁵ the New Jersey Supreme Court explained that an electronic contract can be created by the click of a computer's mouse.⁵⁶ The court

had to signify that he assented to the defendant's terms of the service. *Id.* To procure this assent, the defendant provided the plaintiff the option of clicking on an "I agree" link on the web page. *Id.* Although he did not read the terms of the service, the plaintiff clicked on this link twice. *Id.* at *5. The court found that this action was the equivalent of actually signing an agreement. *Id.* Therefore, the forum selection clause was an enforceable term of service. *Id.*

48. *Id.* at *2.

49. *Id.* at *5.

50. *Id.*

51. *See id.* (explaining that "plaintiff effectively 'signed' the agreement by clicking on 'I agree' not once but twice").

52. *See id.* ("Under these circumstances, [the plaintiff] should not be heard to complain that he did not see, read, etc. and is bound to the terms of his agreement.").

53. 1998 WL 388389 (N.D. Cal. 1998).

54. *Hotmail Corp. v. Van\$ Money Pie, Inc.*, 1998 WL 388389 (N.D. Cal. 1998) (ruling that Hotmail was entitled to preliminary injunction against defendants because defendants breached Hotmail's online terms of service by sending spam and pornography via Internet). In *Hotmail*, the plaintiff, an email service provider, developed Terms of Service to which all subscribers were required to agree. *Id.* at *2. One of these terms contained a prohibition against sending spam, which is the term for unsolicited bulk email, or pornography via Hotmail's service. *Id.* However, the defendants sent numerous spam messages, some of which advertised pornography. *Id.* at *2-*3. The court held that there was sufficient evidence to support a finding that the defendants had agreed to abide by Hotmail's terms of service, and that, in sending the spam, they had breached these terms. *Id.* at *6. Therefore, the defendants were enjoined from using Hotmail's service. *Id.* at *9.

55. 732 A.2d 528 (N.J. Super. Ct. App. Div. 1999).

56. *Caspi v. Microsoft Network*, 732 A.2d 528 (N.J. Super. Ct. App. Div. 1999) (holding that forum selection clause contained in terms of service was enforceable). In *Caspi*, the plaintiffs were subscribers to Microsoft's online computer service. *Id.* at 529. When registering for service, the plaintiffs were presented with a membership agreement containing a forum selection clause. *Id.* at 530. They were given the choice to click on either an "I Agree" or an "I Don't Agree" block. *Id.* Clicking on "I Agree" was necessary in order to obtain the service, and the plaintiffs chose this option. *Id.* Therefore, Microsoft sought to enforce the forum selection

found that the plaintiffs had adequate notice of a forum selection clause in the defendant's terms of service, and, therefore, the clause was enforceable.⁵⁷

Clickwrap cases are significant because they involve the enforceability of online contracts. These cases demonstrate that courts are aware that, through the use of the Internet, parties have found new ways to create legal relationships.⁵⁸ In general, however, the clickwrap cases are distinguishable from informational web site user agreements. The user agreements do not require the user to click on an "I agree" link, as do clickwrap contracts. Rather, the user agreements simply stipulate that they are binding on a user of that web site, without requiring any affirmative act by the user.⁵⁹ As a result of these different facts, it is easier for a court to find a manifestation of assent in a clickwrap case than it would be in the case of an online user agreement.⁶⁰ Therefore, it is necessary to examine other types of cases to find a closer analogy to the contractual issues presented by informational web site user agreements.

2. Shrinkwrap Cases

Shrinkwrap cases involve packages that contain language stipulating that the buyer is bound to the terms inside the package upon opening and using the product contained inside.⁶¹ Usually, the seller gives the buyer the opportunity to return the product within a specified period of time if the buyer is unsatisfied with the terms.⁶² Courts have reached different conclusions regarding shrinkwrap contracts or licenses.⁶³ The more recent line of cases

clause when the plaintiffs brought suit against it. *Id.* at 529. The court endorsed the lower court's conclusion that the forum selection clause was not the result of fraud or excessive bargaining power. *Id.* at 530. Nor would enforcing the forum selection clause contravene public policy. *Id.* at 531. The plaintiffs also argued that they were not given adequate notice of the forum selection clause. *Id.* at 532. However, the court reasoned that the forum selection clause was presented in the same manner as all of the other terms of the electronic contract. *Id.* The plaintiffs had been free to scroll through the terms and read all of them. *Id.* Therefore, Microsoft had provided them with adequate notice of the forum selection clause, and it was enforceable. *Id.*

57. *Id.* The court also relied on *Carnival Cruise Lines v. Shute*, 499 U.S. 585 (1991), in which the Supreme Court held that a forum selection clause located in the fine print on the back of a cruise ticket was enforceable. *Id.*

58. See Dawn Davidson, Comment, *Click and Commit: What Terms are Users Bound to When They Enter Web Sites?*, 26 WM. MITCHELL L. REV. 1171, 1184-85 (2000) (arguing that, in enforcing clickwrap contracts, courts acknowledge need for protection of online services).

59. See *supra* notes 8-9 and accompanying text (describing language of web site provisions).

60. See *supra* notes 22-32 and accompanying text (discussing user's manifestation of assent in online user agreements).

61. See *infra* notes 66-105 and accompanying text (discussing shrinkwrap cases).

62. See *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1452 (7th Cir. 1996) (stating that "[a]ny buyer . . . can prevent formation of the contract by returning the package.>").

63. The terms contract and license are used interchangeably in this Note.

has upheld the validity of shrinkwrap contracts,⁶⁴ whereas another, older line of cases held such contracts unenforceable under the Uniform Commercial Code (U.C.C.).⁶⁵

In *ProCD, Inc. v. Zeidenberg*,⁶⁶ the Seventh Circuit addressed the enforceability of a shrinkwrap license.⁶⁷ The defendant had purchased a software package from the plaintiff.⁶⁸ The box in which the software was sold contained a provision stating that the software came with restrictions described in an enclosed license.⁶⁹ This license was printed in the software manual and also encoded on the software so that it would appear on the computer screen every time the buyer ran the program.⁷⁰ Although this license limited the use of the software to non-commercial purposes, the defendant breached the license by reselling the information contained on the software.⁷¹ As a result, ProCD sued to enforce the terms of the shrinkwrap contract.⁷² The Seventh Circuit first rejected the defendant's argument that the terms of a contract must be made known before any exchange of consideration.⁷³ The court also approved of the efficient nature of standardized contracts in a sys-

64. See *infra* notes 66-90 and accompanying text (discussing cases holding shrinkwrap contracts enforceable).

65. See *infra* notes 91-105 and accompanying text (discussing cases holding shrinkwrap contracts unenforceable).

66. 86 F.3d 1447 (7th Cir. 1996).

67. *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1455 (7th Cir. 1996) (holding that shrinkwrap contract limiting use of software to non-commercial uses was enforceable). In *ProCD*, the Seventh Circuit addressed the enforceability of a shrinkwrap contract that limited the use of the purchased software to non-commercial purposes. *Id.* at 1450. The defendant, Zeidenberg, had purchased a software package called SelectPhone from ProCD. *Id.* Despite the prohibition against commercial use of the software, Zeidenberg resold the information contained in the software to customers over the Internet, and ProCD sued to enforce the terms of the shrinkwrap contract. *Id.* The Seventh Circuit treated the license as an ordinary contract accompanying the sale of goods, which therefore was governed by the U.C.C. *Id.* The court reasoned that the U.C.C. does not require full disclosure of the terms of the contract to precede the payment of money. *Id.* at 1452. In fact, the court explained that such standardized contracts can be beneficial in the marketplace. *Id.* Section 2-204(1) of the U.C.C. states that a contract may be made "in any manner sufficient to show agreement . . ." *Id.* Here, because ProCD provided its terms in the shrinkwrap contract and because Zeidenberg did not return the software after having the opportunity to inspect these terms, the court found that § 2-204 was satisfied. *Id.* Therefore, Zeidenberg breached the contract by selling the information contained in the software. *Id.* at 1455.

68. *Id.* at 1450.

69. *Id.*

70. *Id.*

71. *Id.*

72. *Id.*

73. See *id.* (stating that transactions in which exchange of money precedes communication of terms are common).

tem of mass production and distribution.⁷⁴ Finally, the court relied on section 2-204(1) of the U.C.C.,⁷⁵ which states that "[a] contract for sale of goods may be made in any manner sufficient to show agreement, including conduct by both parties which recognizes the existence of such a contract."⁷⁶

A case similar to *ProCD* is *Hill v. Gateway 2000, Inc.*⁷⁷ In this case, the Hills bought a computer from Gateway.⁷⁸ The box in which the computer was shipped contained a list of terms that were said to govern the parties' relationship unless the Hills returned the computer within 30 days.⁷⁹ These terms contained an arbitration clause, and when the Hills brought suit in federal court, alleging that the computer had various problems, they argued that this clause should be rendered unenforceable because it "did not stand out."⁸⁰ The Seventh Circuit explained that the entire list of shrinkwrap terms must either stand or fall together; the arbitration clause alone could not be held unenforceable.⁸¹ The court followed *ProCD* and declined to limit *ProCD*'s holding to software.⁸² As in *ProCD*, the court sympathized with the usefulness of contracts in which the payment of money preceded the full disclosure of the terms of the contract.⁸³ Accordingly, the court held that the arbitration clause was enforceable.⁸⁴

74. See *id.* at 1451 ("Standardization of agreements serves many of the same functions as standardization of goods and services; both are essential to a system of mass production and distribution.") (quoting RESTATEMENT (SECOND) OF CONTRACTS § 211 cmt. a)).

75. *Id.* at 1452.

76. U.C.C. § 2-204(1).

77. 105 F.3d 1147 (7th Cir. 1997).

78. *Hill v. Gateway 2000, Inc.*, 105 F.3d 1147, 1151 (7th Cir. 1997) (holding that arbitration clause in shrinkwrap license was enforceable). In *Hill*, the Hills bought a computer from Gateway, and the computer packaging included a list of terms that were said to govern the computer unless the Hills returned the computer within 30 days. *Id.* at 1148. The terms included an arbitration clause. *Id.* However, the Hills filed suit in federal court, claiming that the computer had various flaws. *Id.* Gateway sought to enforce the arbitration clause, but the Hills argued that the clause was invalid because it was inconspicuous. *Id.* The Seventh Circuit explained that the terms were enforceable even if the Hills had not read them. *Id.* Following *ProCD*, the court reasoned that parties may form a valid contract by providing the list of contract terms in a shrinkwrap license. *Id.* at 1148-49. The court declined to limit *ProCD* to cases involving software sales. *Id.* at 1149. Therefore, the arbitration clause was enforceable against the Hills. *Id.* at 1151.

79. *Id.* at 1148.

80. *Id.*

81. *Id.*

82. See *id.* at 1149 (explaining that "*ProCD* is about the law of contract, not the law of software").

83. See *id.* (asserting that "[p]ractical considerations support allowing vendors to enclose the full legal terms with their products").

84. *Id.* at 1151.

The Supreme Court of Washington followed the holdings of *ProCD* and *Hill* in *M.A. Mortenson Co. v. Timberline Software Corp.*⁸⁵ In *Timberline*, the buyer of computer software argued that a limitation of damages clause contained in a shrinkwrap license was unenforceable.⁸⁶ The buyer urged that the parties' purchase order constituted their entire agreement and that it never saw or agreed to the terms of the shrinkwrap license.⁸⁷ However, the shrinkwrap license clearly indicated that the buyer's use of the enclosed software would signify the buyer's assent to the terms of the license.⁸⁸ Therefore, the court held that the terms of the shrinkwrap license, including the limitation of damages clause, were part of the parties' contract.⁸⁹ By using the software, the buyer signified its assent to the terms of the license; it was irrelevant that the buyer did not actually read the agreement.⁹⁰

However, it should be noted that some courts have found shrinkwrap contracts unenforceable. For example, in *Vault Corporation v. Quaid Software, Ltd.*,⁹¹ the Fifth Circuit upheld the district court's holding that the shrinkwrap contract at issue was an adhesion contract and was therefore invalid.⁹²

85. *M.A. Mortenson Co. v. Timberline Software Corp.*, 998 P.2d 305 (Wash. 2000) (holding that limitation of damages clause in shrinkwrap license was enforceable). In *Timberline*, Mortenson purchased software from Timberline and then claimed that the software was defective. *Id.* at 307. Mortenson sought consequential damages, but a shrinkwrap contract that had accompanied the software limited Timberline's liability to the license fee paid for the right to use the software. *Id.* at 309. Mortenson argued that the parties' purchase order constituted the entire agreement between the parties and that it had not agreed to the terms of the shrinkwrap license. *Id.* at 309-10. However, the court held that the terms of the shrinkwrap license were part of the parties' agreement. *Id.* at 313. The shrinkwrap license stated that the buyer's use of the product signified assent to the terms; therefore, after using the software, Mortenson was bound by the terms, including the limitation of damages clause. *Id.*

86. *Id.* at 310.

87. *Id.*

88. *See id.* at 308 (quoting shrinkwrap license's language that "[u]se of the programs indicates your acknowledgment that you have read this license, understand it, and agree to be bound by its terms and conditions").

89. *Id.* at 313.

90. *See id.* (stating that "it was not necessary for [the buyer] to actually read the agreement in order to be bound by it").

91. 847 F.2d 255 (5th Cir. 1988).

92. *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255 (5th Cir. 1988) (holding that shrinkwrap contract was invalid in part because it conflicted with federal law). In *Vault*, a provision in the seller's license agreement prohibited decompilation or disassembly of its program. *Id.* at 257 n.2. The seller, Vault, brought a copyright infringement action against the buyer, Quaid, claiming that Quaid had copied Vault's program in order to design its own program. *Id.* at 258. Vault also argued that Quaid had breached the shrinkwrap license. *Id.* However, the Fifth Circuit upheld the District Court's ruling that the shrinkwrap contract was an adhesion contract. *Id.* at 269-70. Oddly, the court gave no support for its finding that the shrinkwrap license was an adhesion contract. *Id.*

But it can be argued that *Vault* was actually a case concerning federal preemption of state law rather than a contract case.⁹³ Even so, *Vault* is significant because it apparently reaches a holding opposite those of *ProCD*, *Hill*, and *Mortenson*.⁹⁴

Similarly, the Third Circuit in *Step-Saver Data Systems, Inc. v. Wyse Technology*⁹⁵ held that a shrinkwrap license was invalid.⁹⁶ However, *Step-Saver* is a decade old, and the court used § 2-207 of the U.C.C. to govern its analysis.⁹⁷ Under § 2-207, the court held that the terms on the shrinkwrap license were merely proposed additions to the contract because they would have substantially altered the parties' agreement.⁹⁸ The seller had previously attempted to procure the buyer's express acceptance of these terms in writing, but the buyer had refused.⁹⁹ This fact suggested that the seller wanted its terms to be included in the contract, but had been unable "to obtain a negoti-

93. See *Vault*, 847 F.2d at 269-70 (citing district court, which explained that shrinkwrap license could only be valid if Louisiana state statute under which it was authorized was valid). The state statute was known as the Louisiana License Act, and it authorized a complete ban on copying of a much wider range of materials than protected by the Federal Copyright Act. *Id.* at 268-69. The district court noted numerous conflicts between the state statute and the federal law. *Id.* at 269. The Fifth Circuit concluded that the Louisiana statute provision prohibiting copying by decompilation or disassembly "clearly 'touches upon an area' of federal copyright law" and was therefore "preempted by federal law." *Id.* at 270.

94. But see *ProCD v. Zeidenberg*, 86 F.3d 1447, 1452 (7th Cir. 1996) (distinguishing *Vault* because *Vault* was copyright infringement case, not consumer transaction case).

95. 939 F.2d 91 (3d Cir. 1991).

96. *Step-Saver Data Sys., Inc. v. Wyse Tech.*, 939 F.2d 91 (3d Cir. 1991) (holding that, under U.C.C. § 2-207, terms of shrinkwrap license did not become part of contract). In *Step-Saver*, the court addressed the enforceability of a "Limited Use License Agreement" printed on the software packaging. *Id.* at 93. This "Agreement" contained both disclaimer of warranty and limitation of remedies terms. *Id.* at 96. However, the court explained that, under § 2-207, these terms were merely proposed additions to the parties' contract. *Id.* at 103. These terms would have materially altered the parties' pre-existing agreement. *Id.* at 106. In fact, the seller had previously tried to obtain the buyer's assent to these terms, but the buyer had refused. *Id.* at 103. Therefore, the court refused to allow the seller to sneak the terms into the agreement by using a shrinkwrap license. *Id.* at 105-06.

97. See *id.* at 98 ("When the parties's [sic] conduct establishes a contract, but the parties have failed to adopt expressly a particular writing as the terms of their agreement, and the writings exchanged by the parties do not agree, U.C.C. § 2-207 determines the terms of the contract.").

98. See *id.* at 105 (explaining that under § 2-207, "an additional term detailed in the box-top license will not be incorporated into the parties' contract if the term's addition to the contract would materially alter the parties's [sic] agreement"). The court's use of § 2-207 is an important factor distinguishing *Step-Saver* from *ProCD*. In fact, in *ProCD*, the court disregarded *Step-Saver* because it "is a battle-of-the-forms case, in which the parties exchange incompatible forms and a court must decide which prevails." *ProCD*, 86 F.3d at 1452.

99. See *id.* at 104 (noting that "there is evidence that [the seller] tried to obtain [the buyer]'s express consent to the disclaimer and limitation of damages provision of the box-top license").

ated agreement reflecting its terms," and thus those terms were "not a part of the parties's [sic] commercial bargain."¹⁰⁰ Therefore, the shrinkwrap license never became part of the parties' contract.¹⁰¹

However, cases decided after *Step-Saver* either distinguished or disregarded that case. For example, the *ProCD* court dismissed *Step-Saver* as a simple U.C.C. § 2-207 case.¹⁰² As such, it was inapplicable to the shrinkwrap license at issue in *ProCD*.¹⁰³ Similarly, the *Timberline* court distinguished *Step-Saver*. First, the court explained that, whereas the issue in *Timberline* was the enforceability of the license against the end user, the issue in *Step-Saver* was the enforceability of the license against a retailer, not the end user.¹⁰⁴ Second, in *Step-Saver*, but not in *Timberline*, the buyer refused to express consent to the seller's terms, but the seller provided the product anyway.¹⁰⁵ These distinguishing factors permitted the *ProCD* and *Timberline* courts to reach opposite holdings from the *Step-Saver* court.

Some commentators have also addressed the issue of the enforceability of shrinkwrap contracts.¹⁰⁶ The commentators are split as to whether such

100. *Id.*

101. *Id.* at 106.

102. *See ProCD v. Zeidenberg*, 86 F.3d 1447, 1452 (7th Cir. 1996) ("*Step-Saver* is a battle-of-the-forms case, in which the parties exchange incompatible forms and a court must decide which prevails.>").

103. *See id.* (explaining that *Step-Saver* does not directly address issue presented in current case).

104. *See M.A. Mortenson Co. v. Timberline Software Corp.*, 998 P.2d 305, 312 (Wash. 2000) (explaining that *Step-Saver* "did not involve the enforceability of a standard license agreement against an *end user* of the software, but instead involved its applicability to a value added retailer who simply included the software in an integrated system sold to the end user").

105. *See id.* ("[I]n *Step-Saver*, the seller of the program twice asked the buyer to sign an agreement comparable to their disputed license agreement. Both times the buyer refused, but the seller continued to make the software available. In contrast, Mortenson and Timberline had utilized a license agreement throughout Mortenson's use of the . . . software.>").

106. *See, e.g.,* Stephen J. Davidson & Michael J. Wurzer, *Shrink-Wrap Licenses: The Continuing Controversy*, 453 PLI/Pat 673, 678 (1996) (addressing two "hotly disputed" questions of "[i]s [a shrinkwrap] license part of the 'contract' between the user and the vendor given that the user probably did not read the license and did not expressly assent to its terms prior to payment and delivery of the software" and "[a]re any of the typical terms of such a license preempted by federal copyright law?"); David A. Einhorn, *Shrink-wrap Licenses: The Debate Continues*, 38 IDEA 383, 401 (1998) (concluding that *ProCD* and *Step-Saver* "created a clear split between the [T]hird and [S]eventh circuits" so that "[i]t is not clear which approach other circuits will follow in the future"); Mark A. Lemley, *Intellectual Property and Shrinkwrap Licenses*, 68 S. CAL. L. REV. 1239, 1248 (1995) (summarizing that courts consider three issues in analyzing shrinkwrap licenses: whether license is valid under contract law, whether particular intellectual property terms of license are enforceable, and whether intellectual property terms are preempted); Stephen P. Tarolli, Comment, *The Future of Information Commerce Under Contemporary Contract and Copyright Principles*, 46 AM. U. L. REV. 1639, 1648 (1997) (stating that enforceability of shrinkwrap licenses is unclear but that "[a]pproximately two-thirds

contracts should be held valid and whether shrinkwrap enforceability is consistent with the principles of contract law.¹⁰⁷ Most of the scholarly debate arose after the Seventh Circuit's decision in *ProCD*. However, this debate has primarily focused on the effect of shrinkwrap contracts on the software industry,¹⁰⁸ and, with a few exceptions,¹⁰⁹ the scholars have not extended the significance of shrinkwrap contracts beyond the context of the sale of goods to the arena of information exchanges.

3. Browsewrap Cases

Browsewrap cases involve factual scenarios that are similar to the scenarios presented by the terms and conditions on informational web sites. Browsewrap cases involve alleged agreements that are available to the user by clicking on a link on the web site home page.¹¹⁰ That link will then take the user to a new page within the web site, and the terms and conditions of use of the web site are listed on this new page.¹¹¹ The user is not required to view the terms and conditions prior to use of the web site, and the user is also not required to make any affirmative act to signify assent to those terms and conditions.¹¹²

of the respondents polled in a recent survey of computer law professionals agreed that shrinkwrap licenses accompanying mass-marketed products should be enforceable").

107. Compare Stephen Fraser, *Canada-United States Trade Issues: Back from Purgatory? Why Computer Software "Shrink-Wrap" Licenses Should be Laid to Rest*, 6 TUL. J. INT'L & COMP. L. 183, 233 (1998) (concluding that "there are few reasons for the continued use of shrink-wrap licenses for computer software") and Kristin Johnson Hazelwood, Note, *Let the Buyer Beware: The Seventh Circuit's Approach to Accept-or-Return Offers*, 55 WASH. & LEE L. REV. 1287, 1305 (1998) (arguing that Seventh Circuit's analysis of *ProCD* and *Hill* was faulty because court misapplied U.C.C. contract provisions, unfairly favored seller of goods, and enforced terms that surprised buyer), with Jerry David Monroe, *ProCD, Inc. v. Zeidenberg: An Emerging Trend in Shrinkwrap Licensing?*, 1 MARQ. INTELL. PROP. L. REV. 143, 170 (1997) (arguing that "there is no evidence that shrinkwrap licenses are antithetical to the policies of contract law; rather, the Seventh Circuit's remarks [in *ProCD*] properly indicate that they promote this policy without demonstrable harm to either contracting party").

108. See Robert J. Morrill, *Contract Formation and the Shrink Wrap License: A Case Comment on ProCD, Inc. v. Zeidenberg*, 32 NEW ENG. L. REV. 513, 514 (1998) (explaining that, if *ProCD* is viewed as strong precedent, then Seventh Circuit's holding "represents a substantial shift in power to software vendors"); Jeffrey C. Selman & Christopher S. Chen, *Steering the Titanic Clear of the Iceberg: Saving the Sale of Software from the Perils of Warranties*, 31 U.S.F. L. REV. 531, 533 (1997) (arguing that, within software industry, sellers should be permitted to present binding contract terms to buyers after point of sale); Monroe, *supra* note 107, at 144 (stating that shrinkwrap licenses are "especially prevalent in the computer software industry").

109. See Tarolli, *supra* note 106, at 1642 (arguing that contemporary contract law is not well adapted to protect information exchanges).

110. See *infra* notes 113-29 and accompanying text (discussing browsewrap cases).

111. See *infra* notes 113-29 and accompanying text (discussing browsewrap cases).

112. See *infra* notes 113-29 and accompanying text (discussing browsewrap cases).

There are few reported cases involving browsewrap agreements. In one such case, *Pollstar v. Gigmania Ltd.*,¹¹³ the United States District Court for the Eastern District of California addressed the plaintiff's breach of a browsewrap contract claim.¹¹⁴ The terms of the browsewrap agreement were accessible to the defendant by clicking on a link on the plaintiff's home web page.¹¹⁵ That link would then take the defendant to a different web page containing the terms of the agreement.¹¹⁶ Despite the fact that the defendant was not required to view the terms or make some affirmative act signifying assent to those terms, the court declined to dismiss the plaintiff's breach of contract claim.¹¹⁷ The court stated that "[t]aking into consideration the examples provided by the Seventh Circuit [in *ProCD*] – showing that people sometimes enter into a contract by using a service without first seeing the terms – the browse[] wrap license agreement may be arguably valid and enforceable."¹¹⁸

*Specht v. Netscape Communications Corporation*¹¹⁹ is the other significant browsewrap case.¹²⁰ In *Specht*, the plaintiff web site users downloaded

113. 2000 WL 33266437 (E.D. Cal. Oct. 17, 2000).

114. *Pollstar v. Gigmania Ltd.*, No. CIV-F-00-5671-REC SM, 2000 WL 33266437 (E.D. Cal. Oct. 17, 2000) (hesitating to declare invalidity of browsewrap agreement). In *Pollstar*, the plaintiff alleged that the defendant had breached the license agreement set forth on the plaintiff's web site. *Id.* at *1. The defendant replied that the breach of contract claim failed because the plaintiff could not allege mutual assent. *Id.* The agreement at issue was not set forth on the plaintiff's home web page, but rather on a page that was linked to the home page. *Id.* at *6. The defendant was notified of the agreement by a small notice on the home page. *Id.* By clicking on that notice, the defendant would be taken to the page containing the actual terms of the agreement. *Id.* The defendant was not required to view the page containing the agreement, nor was the defendant required to make an affirmative act to signify assent. *Id.* Nevertheless, the court declined to find the agreement unenforceable for lack of mutual assent. *Id.* The court relied on *ProCD* for this finding. *Id.*

115. *Id.* at *6.

116. *Id.*

117. *Id.*

118. *Id.*

119. 150 F. Supp. 2d 585 (S.D.N.Y. 2001).

120. *Specht v. Netscape Communications Corp.*, 150 F. Supp. 2d 585 (S.D.N.Y. 2001) (finding that web site users had not assented to license agreement). In *Specht*, the web site users had visited Netscape's web site and downloaded a free software program known as SmartDownload from that web site. *Id.* at 587. The web page from which the users downloaded the software also contained an "invitation" to view the terms of the SmartDownload license agreement. *Id.* at 588. Those terms were accessible only if the users chose to click on the underlined portion of the invitation. *Id.* By doing so, the users would be linked to the page containing the actual terms of the agreement. *Id.* The users, however, were not required to view the terms before downloading the software, nor were they required to signify assent to the terms by clicking on a link, as in the clickwrap cases. *Id.* The court likened the case to the *Pollstar* browsewrap case. *Id.* at 594-95. However, the court reached the opposite conclusion from the *Pollstar* court. *Id.* at 598. The court explained that "Netscape's failure to require users of SmartDownload to indicate assent to its license as a precondition to downloading and using its software is

free software from Netscape's web site.¹²¹ When a dispute arose between the plaintiffs and Netscape, Netscape argued that the parties were bound to an arbitration clause within a license agreement available on the web site.¹²² The license agreement was available to users of the web site if they chose to click on certain underlined text within an invitation to view the terms of the web site.¹²³ However, the plaintiffs were not required to either view the agreement or signify assent to it prior to downloading the software.¹²⁴ Thus, the court found that the agreement was unenforceable for lack of mutual assent.¹²⁵ The court explained that "downloading is hardly an unambiguous indication of assent."¹²⁶ Netscape both failed to require users to indicate assent to the agreement and failed even to require users to view the agreement before downloading the software.¹²⁷ The language on Netscape's web site did "not indicate that a user *must* agree to the license terms before downloading and using the software."¹²⁸ Consequently, the agreement lacked mutual assent.¹²⁹

C. Extrapolating from Clickwrap, Shrinkwrap, and Browsewrap Cases

Should a dispute concerning the enforceability of the terms and conditions of an informational web site arise, the court will probably examine the clickwrap, shrinkwrap, and browsewrap cases for guidance.¹³⁰ The browsewrap cases in particular are relevant to the issue of whether the terms and conditions of informational web sites are enforceable; however, due to the recentness of these cases, legal commentators have not yet addressed them. On the other hand, at least two commentators have argued that the trend toward enforcing shrinkwrap and clickwrap contracts increases the probability that a court will hold an online user agreement enforceable.¹³¹ These com-

fatal to its argument that a contract has been formed." *Id.* at 595. Furthermore, the web site users were not even made aware that they were entering into a contract. *Id.* Consequently, the court found that the users "did not assent to the license agreement . . ." *Id.* at 596.

121. *Id.* at 587.

122. *Id.* at 588.

123. *Id.*

124. *Id.*

125. *Id.* at 596.

126. *Id.* at 595.

127. *Id.* at 588.

128. *Id.* at 596.

129. *Id.*

130. To date, no court has addressed the issue of the enforceability of the Internet site terms addressed in this Note.

131. See Hart et al., *supra* note 28, at 172 (arguing that, if websites provide link at bottom of home page and advise users that they will be bound by terms of site, these websites will increase "the likelihood that the terms of the agreement will be deemed enforceable in light of the *ProCD* decision"); Davidson, *supra* note 58, at 1185 (explaining that trend toward holding

mentators believe that the enforceability of shrinkwrap contracts, in particular, suggests that online user agreements are valid contracts.¹³² The holding in the *Pollstar* case suggests that these commentators are correct; however, the holding in the *Specht* case suggests that they are incorrect. To evaluate more clearly the applicability of the clickwrap, shrinkwrap, and browsewrap cases to the case of an informational web site user agreement, it is necessary to examine more closely the relevance of each of these classes of cases.

1. The Relevance of Clickwrap Cases

As previously mentioned, clickwrap contracts are significant because they are contracts that the parties actually create on the Internet.¹³³ However, clickwrap contracts are distinguishable from the situation presented by online user agreements because in clickwrap cases, the user actually manifests assent by clicking his or her mouse on the "I agree" link.¹³⁴ Online user agreements do not require the user to signify actual assent to the agreements or even to view the terms of the agreements. Thus, the precedent set by the clickwrap cases is of little assistance in evaluating the enforceability of online user agreements.

2. The Relevance of Shrinkwrap Cases

In shrinkwrap cases, the buyer's manifestation of assent is not as obvious. Therefore, the shrinkwrap cases are more analogous to online user agreements than the clickwrap cases. That is, a buyer who opens a package and is instantly bound by the terms contained in the package¹³⁵ is similar to an Internet user who views a web site and is instantly bound by the terms of that web site. In shrinkwrap cases, the user may not read – or perhaps even be aware of – the restrictions accompanying the product.¹³⁶ Similarly, a user who visits a certain web site may not read or be aware of the restrictions imposed on his or her use of that web site. The fact that courts have found shrinkwrap contracts to be

clickwrap contracts enforceable "is encouraging . . . because it illustrates that courts are acknowledging the need for protection of online products and services," but that "shrinkwrap agreement cases will be more helpful in determining the validity of online user agreements").

132. See Hart et al., *supra* note 28, at 172 (focusing on effect of *ProCD*); Davidson, *supra* note 58, at 1185 (asserting that shrinkwrap cases are more useful in analyzing online agreements).

133. See *supra* note 58 and accompanying text (discussing online nature of clickwrap contracts).

134. See *supra* notes 44-60 and accompanying text (discussing clickwrap contracts).

135. See *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1450 (7th Cir. 1996) (stating that *ProCD*'s product boxes "declare[d] that the software comes with restrictions stated in an enclosed license").

136. See *supra* notes 80-82 and accompanying text (discussing enforceability of arbitration clause that "did not stand out" in *Hill* case).

valid, despite the questionable manifestation of assent, may suggest that courts will also find online user agreements valid.¹³⁷

However, there are also several distinguishing factors between shrinkwrap contracts and online user agreements. First, shrinkwrap terms are more noticeable than online terms. The buyer of a product that is governed by a shrinkwrap contract has advance notice of the shrinkwrap terms because those terms are contained on the packaging of the product.¹³⁸ Online user agreements, however, are contained several links within the web site.¹³⁹ As a result, a court may find that the web site owner has not provided the user with adequate notice of the terms. Second, shrinkwrap cases are distinguishable because they involve the sale of goods, and courts have relied on the U.C.C. to analyze the contracts.¹⁴⁰ Finally, because shrinkwrap cases involve the sale of goods, courts have not struggled to find an exchange of consideration in these cases.¹⁴¹ In the case of online user agreements, however, a court may decide that there is no exchange of consideration. These distinguishing factors may compel a court to decide that, despite the enforceability of shrinkwrap contracts, web site user agreements are unenforceable.

3. *The Relevance of Browsewrap Cases*

The key factors that distinguish shrinkwrap cases from the case of an online user agreement all seem to disappear in the factual scenarios presented by the browsewrap cases. In browsewrap cases, the online user has no advance notice of the terms of the agreement.¹⁴² The user can access the web site and download information therefrom without viewing the terms of the supposed agreement or committing any act that might signify assent to that agreement.¹⁴³ This factual scenario is much different than the facts of a shrinkwrap case, in which the buyer is first confronted with packaging stating that, by opening the package, the buyer will be bound by the terms of the agreement unless the user promptly returns the product. In browsewrap cases, the contractual requirement of mutual assent is even more elusive than in shrinkwrap cases.

137. See Davidson, *supra* note 58, at 1185 (arguing that question of notice or knowledge of terms makes shrinkwrap contracts similar to online user agreements).

138. See *supra* notes 66-105 and accompanying text (discussing location of shrinkwrap terms).

139. See *supra* notes 27-32 and accompanying text (discussing noticeability of online user agreements).

140. See *supra* notes 75-76 and accompanying text (discussing *ProCD* court's use of U.C.C.); *supra* notes 97-102 and accompanying text (discussing role of U.C.C. in *Step-Saver*).

141. See *supra* note 73 and accompanying text (describing *ProCD* court's explanation that contracts in which exchange of consideration precedes terms of contract are permissible).

142. See *supra* Part II.B.3 (discussing browsewrap cases).

143. See *supra* Part II.B.3 (discussing browsewrap cases).

Therefore, the browsewrap cases are most directly relevant to the issue of informational web site user agreements. Consequently, a court analyzing such user agreements will probably afford the browsewrap cases the most weight in deciding how to rule. The two United States District Courts that have addressed browsewrap cases, however, have reached opposite conclusions.¹⁴⁴ If a court is persuaded by *Specht*, the court will find the user agreement unenforceable. On the other hand, if a court is persuaded by *Pollstar*, the court may find the user agreement to be valid and enforceable. Thus, the emergence of the browsewrap cases has created more confusion in this field of contract law.¹⁴⁵

D. Potential Impact of the Uniform Computer Information Transactions Act (UCITA)

In 1999, the National Conference of Commissioners on Uniform State Laws promulgated a model statute addressing information transactions known as the Uniform Computer Information Transactions Act (UCITA or the Act). States are now free to adopt UCITA in whole or in part.¹⁴⁶ UCITA defines a computer information transaction as "an agreement or the performance of it to create, modify, transfer, or license computer information or informational rights in computer information."¹⁴⁷ Under this definition, a web site user agreement may fall under the Act because it is an agreement to transfer or license information.¹⁴⁸ Commentators have explained that the Act "refers to transactions where the subject matter includes information that is in, or is to be provided or created in, a form that is directly capable of being processed in or received from a computer."¹⁴⁹ Because informational web sites provide information that is processed and received by a computer, the Act could have an impact on the enforceability of online user agreements.

144. See *supra* notes 113-29 and accompanying text (discussing *Pollstar* and *Specht* cases).

145. To date, no legal commentators have attempted to clear the confusion that *Pollstar* and *Specht* created. Furthermore, no appeals court has addressed the issue yet.

146. However, the only states to adopt UCITA so far are Maryland and Virginia. MD. CODE ANN., [COM. LAW] § 22-101 *et seq.* (2001); VA. CODE ANN. § 59.1-501.1 *et seq.* (Michie 2000).

147. UCITA § 102(a)(11) (2000).

148. See *id.* § 102(a)(65)(B) (defining transfer with respect to computer information as "a sale, license, or lease of a copy of the computer information"). Because the transfer of information on the web sites addressed in this Note cannot be classified as a sale or lease, such transfer must be a license. The Act defines a license as "a contract that authorizes access to, or use, distribution, performance, modification, or reproduction of, information or informational rights, but expressly limits the access or uses authorized or expressly grants fewer than all rights in the information." *Id.* § 102(a)(41). Because the user agreements are contracts that authorize the user to access the information on the web site, they can properly be classified as licenses.

149. Raymond T. Nimmer & Carlyle C. Ring, Jr., *UCITA: A Commercial Code for the New Commerce*, 600 PLLPat 9, 16 (2000).

UCITA provides that contract formation occurs whenever there is a showing of an agreement.¹⁵⁰ As always, a manifestation of assent is required, and UCITA contains provisions describing the methods by which a manifestation of assent may occur. Section 112(a) of UCITA provides that:

A person manifests assent to a record or term if the person, acting with, or after having an opportunity to review the record or term or a copy of it:
 (1) authenticates the record or term with intent to adopt or accept it; or
 (2) intentionally engages in conduct or makes statements with reason to know that the other party or its electronic agent may infer from the conduct or statement that the person assents to the record or term.¹⁵¹

This language is similar to § 19(2) of the Restatement (Second) of Contracts.¹⁵² Under UCITA, an Internet user manifests assent to the terms of the web site if that user has knowledge of, or an opportunity to review, the terms and subsequently continues to use the web site with reason to know that the web site owner will infer that the user has assented to the terms.¹⁵³ Section 112(e) of UCITA further specifies that "[a] person has an opportunity to review a record or term only if it is made available in a manner that ought to call it to the attention of a reasonable person and permit review."¹⁵⁴ Therefore, as in traditional mutual assent, the question becomes whether the links to the web site terms are located and highlighted such that they call attention to a reasonable person.¹⁵⁵

UCITA also addresses the enforceability of standard-form licenses that govern information made available from an Internet site.¹⁵⁶ These licenses,

150. See UCITA § 202(a) (providing that "[a] contract may be formed in any manner sufficient to show agreement").

151. *Id.* § 112(a).

152. See *supra* note 27 and accompanying text (providing text of § 19(2) of Restatement).

153. UCITA § 112(a).

154. *Id.* § 112(e).

155. See *supra* notes 27-32 and accompanying text (discussing noticeability of web site user agreements).

156. UCITA § 211. This section states:

This section applies to a licensor that makes its computer information available to a licensee by electronic means from its Internet or similar electronic site. In such a case, the licensor affords an opportunity to review the terms of a standard form license which opportunity satisfies Section 112(e) with respect to a licensee that acquires the information from that site, if the licensor:

(1) makes the standard terms of the license readily available for review by the licensee before the information is delivered or the licensee becomes obligated to pay, whichever occurs first, by:

displaying prominently and in close proximity to a description of the computer information, or to instructions or steps for acquiring it, the standard terms or a reference to an electronic location from which they can be readily obtained; or

which are precisely the types of contracts at issue in informational web site user agreements, must be presented in such a manner as to provide the user with an opportunity to review it either "before the information is delivered or the licensee [user] becomes obligated to pay, whichever occurs first" ¹⁵⁷ Because the user is never obligated to pay for use of the informational web sites, the user must have an opportunity to review the terms before receiving the information. However, this requirement might be impossible to satisfy because the web site user does not have an opportunity to review *until* the information is delivered, not *before* the information is delivered. ¹⁵⁸ However, the Act further provides that an opportunity to review may occur by "disclosing the availability of the standard terms in a prominent place on the site from which the computer information is offered and promptly furnishing a copy of the standard terms on request before the transfer of the computer information." ¹⁵⁹ Under this language, a web site may satisfy the opportunity to review requirement because the site discloses the availability of the terms of the user agreement on the home site from which the information is offered. ¹⁶⁰ Also, the user can promptly gain a copy of the terms by requesting them, that is, by clicking on the link to those terms. This argument, of course, is by no means assured to convince a court, but it does seem as if § 211 of UCITA contemplates the type of Internet user agreements present on informational web sites.

Several scholars have addressed the impact of UCITA on contract formation, and most seem to agree that the Act provides needed standards in the area of information transactions. ¹⁶¹ Some say that the Act favors informa-

disclosing the availability of the standard terms in a prominent place on the site from which the computer information is offered and promptly furnishing a copy of the standard terms on request before the transfer of the computer information; and (2) does not take affirmative acts to prevent printing or storage of the standard terms for archival or review purposes by the licensee.

Id.

157. *Id.*

158. This conclusion, however, may be avoided by arguing that the information is not contained on the web site's home page, but rather behind the links to the news articles and other items of information located deeper in the web site.

159. UCITA § 211(1)(B).

160. Of course, the question remains whether the terms are located in a prominent place. See *supra* notes 27-32 (discussing noticeability of terms and conditions).

161. See Alvin C. Harrell, *UCITA: Opportunity or Obstruction*, 25 OKLA. CITY U. L. REV. 333, 336 (2000) (explaining that, regarding "specific issues, such as the enforcement of form contracts or standardized agreements, UCITA combines principles from a variety of current sources of law to recognize rules that are thought to work fairly and efficiently in the context of software licenses and other computer information transactions"); Raymond T. Nimmer, *UCITA: A Commercial Contract Code*, COMPUTER LAW, May 2000, at 3, 5 (2000) (explaining that UCITA will clarify and "make uniform contract law applicable to computer information transactions"); Nimmer & Ring, *supra* note 149, at 21 (asserting that "UCITA provides standards for when proposed terms are or are not adopted as part of the contract").

tion providers over consumers.¹⁶² However, no court has yet interpreted UCITA, and it is far from being a "uniform" law. In many ways, it simply repeats other sources of law, such as case law and the Restatement of Contracts.¹⁶³ Even so, UCITA may become an important factor in analyzing the validity of online user agreements.

E. Conclusion of Contract Section

Online user agreements present issues concerning the contractual requirements of mutual assent and consideration. The above analysis of these requirements demonstrates that, while it is possible for a court to find informational web site agreements enforceable, such an outcome is not definite.¹⁶⁴ The current trend toward enforcing new types of contracts – clickwrap contracts and shrinkwrap contracts – indicates that courts are willing to find valid contracts in new situations. However, the emergence of the factually similar browsewrap cases and the inconsistent court rulings regarding browsewrap contracts suggest that courts may not be willing to extend traditional contract law principles further into the realm of the Internet. Furthermore, assuming for the moment that these online agreements are enforceable, the copyright notices contained in the agreements raise a new and difficult question. That question is whether or not the copyright provisions – as parts of a contract under state law – are preempted by federal copyright law.

III. Federal Copyright Law Applied to Informational Web Sites

A. Federal Copyright Law – Subject Matter

17 U.S.C. § 102 governs the subject matter of federal copyright law.¹⁶⁵ Informational web sites fall within the statutory definition of the subject matter

162. See Michael J. Lockerby, *UCITA: The Uniform Computer Information Transactions Act*, 7 RICH. J.L. & TECH. 12 (Symposium 2000), at <http://www.richmond.edu/jolt/v7i2/lockerby.html> (explaining that, because UCITA is more certain and consistent than current law, businesses will prefer it); James S. Heller, *The Uniform Computer Information Transactions Act (UCITA): Still Not Ready for Prime Time*, 7 RICH. J.L. & TECH. 14 (Symposium 2000), at <http://www.richmond.edu/jolt/v7i2/heller.html> (arguing that UCITA is unbalanced because "it tips the scales in favor of information creators and vendors at the expense of those who use information"); Stephen Y. Chow, *UCITA: A 1990's Vision of E-Commerce*, 18 J. MARSHALL J. COMPUTER & INFO. L. 323, 337 (1999) (stating that "UCITA contract formation rules allow the party embedding contract terms in an information product to prevail in every case").

163. See *supra* notes 151-52 and accompanying text (discussing similarity between UCITA language and Restatement language).

164. Additionally, the outcome may not even be definite under UCITA.

165. 17 U.S.C. § 102 (1994) provides as follows:

Subject matter of copyright: In general

(a) Copyright protection subsists, in accordance with this title, in original works

of copyright for several reasons. First, under § 102, informational web sites are "original works of authorship."¹⁶⁶ The general test for originality requires "only that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity."¹⁶⁷ Under this test, informational web sites should be regarded as original works. Also, § 102 states that literary works and audiovisual works are works of authorship.¹⁶⁸ Thus, informational web sites are works of authorship because they can be classified as either literary works¹⁶⁹ or audiovisual works.¹⁷⁰ In addition, informational web sites can be characterized as news

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

(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.

Id.

166. *Id.* § 102(a).

167. *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991); *see also* 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 2.10[A] (2000) ("Originality in the copyright sense means only that the work owes its origin to the author, *i.e.*, is independently created, and not copied from other works.") [hereinafter NIMMER ON COPYRIGHT].

168. *See* 17 U.S.C. § 102 (providing that works of authorship include literary works and audiovisual works).

169. *See id.* § 101 (defining literary works as "works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects . . . in which they are embodied"); *see also* Lothar Determann, *Basic Copyright Law and the Internet*, 612 PLIPat 347, 351 (2000) (stating that different works on Internet can be copyrighted, such as "individual text, pictures, and graphics contained on a website as literary . . . works"); Ovanezian, *supra* note 2, at 275 ("Web sites often resemble the pages of printed books or magazines. The copyrights in these magazine-like Web pages will be very similar to traditional print media copyrights. In addition to protecting the literary work appearing on these printed pages, the Copyright Act also protects the rights of authors in their graphic works. As such, there is a copyright in all original text and images on Web sites.").

170. *See* 17 U.S.C. § 101 (defining audiovisual works as "works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any,

reports, and courts have stated that news reports are original works of authorship.¹⁷¹

Second, informational web sites fall within the statutory language requiring a copyrightable work to be "fixed in any tangible medium of expression, now known or later developed, from which [it] can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device."¹⁷² Congress's purpose was to include a wide variety of works within this language.¹⁷³ Consequently, Internet sites fall within this category. Also, at least one scholar has stated that online works meet the fixation requirement.¹⁷⁴

Therefore, informational web sites fall within the subject matter of federal copyright law. As a result, the web site owners have the exclusive rights to these web sites.¹⁷⁵ The Copyright Act states that anyone who violates one

regardless of the nature of the material objects, such as films or tapes, in which the works are embodied"). Under this definition, a web site can be considered a "series of related images" that are "intended to be shown by the use of" computers, which can qualify as "machines." The statutory language referring to "accompanying sounds" does not appear to be a requirement because of the limiting language "if any." Also, at least one commentator has argued that web sites are audiovisual works. See Determann, *supra* note 169, at 351 (arguing that copyright protection can extend to "a website screen display as an audiovisual work").

171. See *Wainwright Sec., Inc. v. Wall St. Transcript Corp.*, 558 F.2d 91, 95-96 (2d Cir. 1977) (ruling that defendant's use of plaintiff's reports was copyright infringement); *Pac. & S. Co. v. Duncan*, 572 F. Supp. 1186, 1192 (N.D. Ga. 1983) (stating that it is "well-settled that copyright protection does extend to the reports themselves"), *aff'd in part, rev'd in part*, 744 F.2d 1490 (11th Cir. 1984).

172. 17 U.S.C. § 102(a).

173. See H.R. REP. NO. 89-22337, at 44 (1966) (explaining congressional intent concerning fixation in medium requirement). The House Report provides:

[I]t makes no difference what the form, matter, or medium of fixation may be -- whether it is in words, numbers, notes, sounds, pictures, or any other graphic or symbolic indicia, whether embodied in a physical object in written, printed, photographic, sculptural, punched, magnetic, or any stable form, and whether it is capable of perception directly or by means of any machine or device "now known or later developed."

Id.

174. See Determann, *supra* note 169, at 351 ("The fixation requirement does not seem to be too problematic with respect to online works, as U.S. courts have long held that even changing screen displays of computer games can be copyrightable.").

175. See 17 U.S.C. § 106 (1994 & Supp. V 1999) (listing exclusive rights of copyright holders). This section provides as follows:

[T]he 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;

of these exclusive rights is a copyright infringer.¹⁷⁶ Therefore, anyone who reproduces the web sites by copying or by distributing copies of the web sites to others has infringed the web site owner's copyright.¹⁷⁷

B. Fair Use Defense to Copyright Infringement

The Copyright Act provides a broad defense to copyright infringement known as the fair use doctrine, codified at 17 U.S.C. § 107.¹⁷⁸ According to this section, the use of a copyrighted material "for purposes such as criticism, comment, news reporting, teaching, . . . scholarship, or research" does not constitute copyright infringement.¹⁷⁹ The fair use doctrine is important because it may provide a valid defense to a charge of copyright infringement on the Internet.

(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, and

(6) in the case of sound recordings, to perform the copyrighted work publicly by means of digital audio transmission.

Id.

176. See *id.* § 501 (1994) (providing that "[a]nyone who violates any of the exclusive rights of the copyright owner . . . is an infringer of the copyright").

177. *Id.* § 106(1), (3).

178. 17 U.S.C. § 107 provides:

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include –

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

Id.

179. *Id.*

For example, a teacher may choose to download and print multiple copies of an article from the Washingtonpost.com for use in class. According to the copyright notice on the Washingtonpost.com web site, this teacher would be prohibited from doing so.¹⁸⁰ However, § 107 of the Copyright Act specifically states that the use of a copyrighted material for "teaching (including *multiple* copies for classroom use)" may constitute a fair use.¹⁸¹ Under another hypothetical situation, an Internet user might decide to copy an article from the New York Times on the Web in order to use that article in a piece of scholarship or research. According to the New York Times Copyright Notice, such use would violate the user agreement.¹⁸² However, § 107 provides a fair use defense for research or scholarship purposes.¹⁸³

These potential situations make further examination of the fair use doctrine necessary. When a party raises a fair use defense, courts usually analyze the four factors provided by Congress to determine whether the doctrine applies to the defendant's use of the copyrighted work.¹⁸⁴ These four factors are as follows:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.¹⁸⁵

Congress intended that these four factors be analyzed together and assessed against one another.¹⁸⁶ The purpose of the fair use doctrine is to "[permit]

180. See Washingtonpost.com Copyright Notice, available at <http://washingtonpost.com> (last visited Sept. 23, 2001) (stipulating that user may only "make *one* machine readable copy and/or one print copy that is limited to occasional articles of personal interest only") (emphasis added).

181. 17 U.S.C. § 107 (emphasis added).

182. See The New York Times Copyright Notice, available at <http://www.nytimes.com/info/help/copyright.html> (last visited Sept. 19, 2001) (stating that "you may download material from the New York Times on the Web (one machine readable copy and one print copy per page) for your personal, noncommercial use only"). Use of the material for scholarship or research, especially if the scholarship or research is published, probably would not qualify as "personal, noncommercial use." Therefore, the New York Times on the Web bars such use.

183. 17 U.S.C. § 107.

184. See, e.g., *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577-93 (1994) (describing and assessing four statutory factors of 17 U.S.C. § 107 in context of parody of copyrighted song); *Religious Tech. Ctr. v. Lerna*, 908 F. Supp. 1362, 1366-67 (E.D. Va. 1995) (listing and analyzing four factors court must consider "[i]n determining whether the use of a copyrighted work is fair use"); *Strauss v. Hearst Corp.*, 1988 WL 18932, at *3-*5 (S.D.N.Y. 1988) (applying four fair use factors to alleged copyright infringement).

185. 17 U.S.C. § 107.

186. See *Campbell*, 510 U.S. at 578 ("Nor may the four statutory factors be treated in iso-

courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster."¹⁸⁷ With these principles in mind, it is necessary to apply the four fair use factors to the potential infringement of the web sites' copyrights.

1. Fair Use Factors: Purpose and Character of the Use of the Work

In applying the first factor, a court will look to the purpose and character of the use of the work.¹⁸⁸ One scholar has stated that the most common fair use purposes are listed in the preamble to § 107;¹⁸⁹ these purposes include criticism, comment, news reporting, teaching, scholarship, or research.¹⁹⁰ Therefore, if an Internet user makes copies of a web site article for one of these purposes, the fair use defense should apply. Also, the Supreme Court has held that, in order for the fair use defense to apply, it is not necessary for the user of the copyrighted work to make "productive" use of the work.¹⁹¹ In other words, the copier need not add his or her own contribution to the work that is copied.¹⁹² The verbatim use of a copyrighted work, therefore, can still constitute fair use.¹⁹³ This rule provides further support for the idea that an Internet user who copies online information for one of the purposes listed in the preamble to § 107 is protected by the fair use doctrine.

If the copyright infringer's purpose is to put the copyrighted material to a commercial use, then courts are likely to find that such use is unfair. The Supreme Court has stated that any commercial use of a copyrighted work is presumptively unfair.¹⁹⁴ The Court has subsequently attempted to distance

lation, one from another. All are to be explored, and the results weighed together, in light of the purposes of copyright.").

187. *Iowa State Univ. Research Found., Inc. v. Am. Broad. Co.*, 621 F.2d 57, 60 (2d Cir. 1980).

188. 17 U.S.C. § 107(1) (1994).

189. *See* 4 NIMMER ON COPYRIGHT, *supra* note 167, § 13.05[A][1][a] (stating that "the preamble to Section 107 does enumerate certain purposes that are most appropriate for a finding of fair use").

190. 17 U.S.C. § 107.

191. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 455 n.40 (1984) (explaining that Court of Appeals erred in its reasoning that use of copyrighted work must be productive use in order to be fair use). The term "productive" use is synonymous with the term "transformative" use.

192. *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994) (stating that transformative use of copyrighted work "is not absolutely necessary for a finding of fair use").

193. *See Sony Corp. of Am.*, 464 U.S. at 455 n.40 (explaining that teacher who copies to prepare lecture notes, teacher who copies for purpose of broadening own personal knowledge, legislator who copies in order to better understand constituents, or hospital that copies television programs for patients are all protected by fair use).

194. *See id.* at 451 (asserting that "every commercial use of copyrighted material is presump-

itself from this hard presumption, reasoning that such a rule runs contrary to congressional intent.¹⁹⁵ Still, it is likely that "commerciality merely inclines against fair use."¹⁹⁶ Therefore, if someone copies the online information for commercial use, the fair use doctrine will probably not provide a defense.¹⁹⁷

The question, of course, is how to determine whether a use is commercial or non-commercial. The commercial versus non-commercial distinction exists on a continuum because few uses of copyrighted material will fall directly into one or the other category.¹⁹⁸ At one extreme on the continuum is educational use by nonprofit institutions.¹⁹⁹ Educational use favors a copyright defendant.²⁰⁰ At the other extreme is use to advertise or sell a product or service.²⁰¹ Such use is clearly commercial.²⁰² The uses that are of a more questionable commercial character, and thus fall in the middle of the continuum, include news reporting, criticism, research, and scholarship.²⁰³ Use of informational

tively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright").

195. See *Campbell*, 510 U.S. at 584 ("Congress could not have intended such a rule."). In *Campbell*, the Court held that a rap group's parody of the plaintiff's copyrighted song, despite the fact that the parody was sold on an album for commercial gain, was fair use. *Id.* at 594.

196. NIMMER ON COPYRIGHT, *supra* note 167, § 13.05[A][1][c]; see also WILLIAM F. PATRY, *THE FAIR USE PRIVILEGE IN COPYRIGHT LAW* 432 (2d ed. 1995) (stating that "[t]he character of a use as commercial will tend to weigh against the first factor being resolved in the defendant's favor").

197. See *Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 922 (2d Cir. 1994) (stating that "[t]he greater the private economic rewards reaped by the secondary user (to the exclusion of broader public benefits), the more likely the first factor will favor the copyright holder and the less likely the use will be considered fair").

198. See *Maxtone-Graham v. Burchaell*, 803 F.2d 1253, 1262 (2d Cir. 1986) ("The commercial nature of a use is a matter of degree, not an absolute.").

199. See *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1354 (Ct. Cl. 1973) (emphasizing that defendants were nonprofit institutions dedicated to advancement of medical knowledge and science and were not motivated by financial gain; thus, use was fair), *aff'd by an equally divided Court*, 420 U.S. 376 (1975); PATRY, *supra* note 196, at 423 (explaining that extreme on continuum that is most favorable to defendants consists of use for educational purposes in nonprofit setting).

200. See PATRY, *supra* note 196, at 423 (stating that this situation is "the most favorable for the defense").

201. See *Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552, 1558 (M.D. Fla. 1993) (explaining that defendant's posting of plaintiff's copyrighted photographs on defendant's computer billboard, so that users could access for fee, was "clearly" commercial use).

202. See *United Tel. Co. of Missouri v. Johnson Publ'g Co.*, 855 F.2d 604, 609-10 (8th Cir. 1988) (finding that defendant's use of plaintiff's telephone listings was commercial because defendant intended to increase product sales from such use).

203. See 17 U.S.C. § 107 (stating that fair use may include use "for purposes such as criticism, comment, news reporting, . . . scholarship, or research"); PATRY, *supra* note 196, at 424-25 (stating that intermediate uses include "many of the uses listed as examples in the preamble to Section 107").

web sites could fall under one of these categories. For example, a scholar may use online news articles in order to gather information for a research project and might copy portions of these articles for use in the project. Similarly, a news commentator may use an opinion editorial contained on one of these sites in the user's own critical commentary. These types of uses have a slightly commercial character because the research project may become part of a published scholarly journal, and the critical commentary may be published in a newspaper or other periodical for sale.

However, other considerations, particularly the public benefit resulting from the use, should outweigh the commercial character of these uses. For example, in the case of a use for serious scholarship, "the fact that [the second work] is sold for money has often been eclipsed in evaluating the first [fair use] factor."²⁰⁴ If the infringing work was created primarily in order to benefit the public, then a court may consider this fact in addition to any co-existing commercial motive.²⁰⁵ Often, the public benefit motivation will outweigh the commercial motivation.²⁰⁶ By permitting a fair use defense in this situation, courts further the goals of copyright law.²⁰⁷

Therefore, if an Internet user copies or uses information provided by a web site for a purpose such as education, scholarship or research, the first factor of the fair use doctrine will likely protect that user. However, if the user has a purely commercial motive, the fair use doctrine will not apply. Assuming that the character of the use is permissible, it is necessary to examine the other three statutory factors.

2. Fair Use Factors: Nature of the Copyrighted Work

The second statutory factor is "the nature of the copyrighted work."²⁰⁸ The key distinction under this factor is whether the copyrighted work qualifies

204. PATRY, *supra* note 196, at 426.

205. See *MCA, Inc. v. Wilson*, 677 F.2d 180, 182 (2d Cir. 1981) (explaining that, "[w]hile commercial motivation and fair use can exist side by side, the court may consider whether the alleged infringing use was primarily for public benefit or for private commercial gain").

206. See *Arica Inst., Inc. v. Palmer*, 970 F.2d 1067, 1078 (2d Cir. 1992) (finding that defendant's motive was "to further develop our store of knowledge" in psychology, and that this motive was "not offset by [defendant's] concurrent commercial purpose"); *Wright v. Warner Books, Inc.*, 953 F.2d 731, 736-37 (2d Cir. 1991) (explaining that if defendant's use is for scholarship or research, analysis of first fair use factor should end, even if defendant anticipates profits).

207. See *Wright*, 953 F.2d at 736 (asserting that analytic research "further[ed] the goals of the copyright laws by adding value to prior intellectual labor"); *Robinson v. Random House, Inc.*, 877 F. Supp. 830, 839 (S.D.N.Y. 1995) (stating that fair use doctrine "recognizes that there are circumstances in which the Copyright Act's goals of encouraging creative and original work is better served by allowing a use of copyrighted work than prohibiting such use").

208. 17 U.S.C. § 107(2) (1994).

as an informational work or an entertainment work.²⁰⁹ Courts have stated that use of informational or factual works is more likely to be protected by the fair use doctrine.²¹⁰ In particular, news reports are less protected than other, more creative, works.²¹¹ Therefore, the second factor weighs in favor of a finding of fair use in the case of informational web sites.

3. Fair Use Factors: Amount and Substantiality of the Portion Used in Relation to the Copyrighted Work as a Whole

The third fair use factor requires courts to examine "the amount and substantiality of the portion used in relation to the copyrighted work as a whole."²¹² Under this factor, it is first necessary to determine what precisely the "work" is. Most cases hold that each article in a journal is a separate, copyrighted work.²¹³ Other cases, however, have held that the magazine or journal itself, and not each component of the magazine or journal, is the entire work.²¹⁴ Under the first approach, which is arguably the more popular of the two,²¹⁵ each article on an informational web site would constitute an entire work.

The entire work distinction is important because courts usually deny fair use for the copying of entire works or substantial portions of those works.²¹⁶ However, there is an important exception to this general rule. Congress established guidelines permitting a teacher to make a complete copy of a

209. See PATRY, *supra* note 196, at 505 ("An oft-cited approach to the factor distinguishes between 'informational' and 'entertainment' works, i.e., factual and nonfactual works.").

210. See *Stewart v. Abend*, 495 U.S. 207, 237 (1990) (explaining that "fair use is more likely to be found in factual works than fictional works"); *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 563 (1985) (stating that "[t]he law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy").

211. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 496-97 (1984) (explaining that "informational works, such as news reports, that readily lend themselves to productive use by others, are less protected than creative works of entertainment").

212. 17 U.S.C. § 107(3).

213. See *Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 926 (2d Cir. 1994) (concluding that each article in scholarly journal, not journal as a whole, constituted entire work); *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1353 (Ct. Cl. 1973) (implicitly recognizing that each article in journal represented an entire work).

214. See *Triangle Publ'ns, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171, 1177 n.15 (5th Cir. 1980) (explaining that use of cover of copyrighted magazine alone is not use of entire work).

215. See PATRY, *supra* note 196, at 551-52 (asserting that conclusion that journal or magazine is entire work is erroneous).

216. See *Marcus v. Rowley*, 695 F.2d 1171, 1176 (9th Cir. 1983) (stating that "this court has long maintained the view that wholesale copying of copyrighted material precludes application of the fair use doctrine").

work for research or teaching purposes.²¹⁷ Under these guidelines, a teacher

217. H.R. REP. NO. 94-1476, at 68-69 (1976). This provides as follows:

GUIDELINES

I. Single Copying for Teachers

A single copy may be made of any of the following by or for a teacher at his or her individual request for his or her scholarly research or use in teaching or preparation to teach a class:

- A. A chapter from a book;
- B. An article from a periodical or newspaper;
- C. A short story, short essay or short poem, whether or not from a collective work;
- D. A chart, graph, diagram, drawing, cartoon or picture from a book, periodical, or newspaper;

II. Multiple Copies for Classroom Use

Multiple copies (not to exceed in any event more than one copy per pupil in a course) may be made by or for the teacher giving the course for classroom use or discussion; provided that:

- A. The copying meets the tests of brevity and spontaneity as defined below; and,
- B. Meets the cumulative effect test as defined below; and,
- C. Each copy includes a notice of copyright

Definitions

Brevity

- (i) Poetry: (a) A complete poem if less than 250 words and if printed on not more than two pages or, (b) from a longer poem, an excerpt of not more than 250 words.
 - (ii) Prose: (a) Either a complete article, story or essay of less than 2,500 words, or (b) an excerpt from any prose work of not more than 1,000 words or 10% of the work, whichever is less, but in any event a minimum of 500 words.
- [Each of the numerical limits stated in "i" and "ii" above may be expanded to permit the completion of an unfinished line of a poem or of an unfinished prose paragraph.]
- (iii) Illustration: One chart, graph, diagram, drawing, cartoon or picture per book or per periodical issue.
 - (iv) "Special" works: Certain works in poetry, prose or in "poetic prose" which often combine language with illustrations and which are intended sometimes for children and at other times for a more general audience fall short of 2,500 words in their entirety. Paragraph "ii" above notwithstanding such "special works" may not be reproduced in their entirety; however, an excerpt comprising not more than two of the published pages of such special work and containing not more than 10% of the words found in the text thereof, may be reproduced.

Spontaneity

- (i) The copying is at the instance and inspiration of the individual teacher, and
- (ii) The inspiration and decision to use the work and the moment of its use for maximum teaching effectiveness are so close in time that it would be unreasonable to expect a timely reply to a request for permission.

Cumulative Effect

- (i) The copying of the material is for only one course in the school in which the copies are made.
- (ii) Not more than one short poem, article, story, essay or two excerpts may be

can copy an article from a periodical or newspaper for scholarly research, teaching, or preparation for teaching.²¹⁸ Also, a teacher can make multiple copies – one for each student – of an article for classroom use so long as such copying meets the congressional definitions of brevity, spontaneity, and cumulative effect.²¹⁹ The standard for brevity stipulates that a teacher may copy a complete article of less than 2,000 words, or an excerpt of an article of not more than 1,000 words or 10 percent of the entire article.²²⁰ The definition of spontaneity provides that the copying must be "at the instance and inspiration of the individual teacher," and that the moment of the decision to use the work and the moment of the actual use of the work must be so close in time that to expect a reply to a request for permission would be unreasonable.²²¹ Finally, the cumulative effect requirement provides that, in the case of the copying of a news article, such copying is for use in only one course in the school.²²²

Therefore, assuming that a teacher's copying of entire Internet articles fits within the tests of brevity, spontaneity, and cumulative effect, such copying should not fail under the third fair use factor. For non-teachers, the copying of an entire Internet article would militate against a finding of fair use.²²³ But the use of an entire article may be outweighed by the other factors.

4. *Fair Use Factors: Effect of Use upon the Potential Market or Value of the Copyrighted Work*

The fourth fair use factor directs courts to analyze "the effect of the use upon the potential market for or value of the copyrighted work."²²⁴ This factor directs courts to examine the market harm to the copyright holder caused by the

copied from the same author, nor more than three from the same collective work or periodical volume during one class term.

(iii) There shall not be more than nine instances of such multiple copying for one course during one class term.

[The limitations stated in "ii" and "iii" above shall not apply to current news periodicals and newspapers and current news sections of other periodicals.]

Id.

218. *Id.*

219. *Id.*

220. *Id.*

221. *Id.*

222. *Id.*

223. See *supra* note 216 and accompanying text (discussing common rule that copying of entire work suggests that use was not fair). Of course, the web site agreements permit a user to print out one entire copy of an article for personal use only. See *supra* notes 11-13 and accompanying text (discussing web site provisions).

224. 17 U.S.C. § 107(4) (1994).

actions of the copyright infringer.²²⁵ The fourth factor also includes an analysis of whether the defendant's actions, if widespread enough, would cause economic harm to the copyright holder.²²⁶ One court has stated that this "factor is aimed at the copier who attempts to usurp the demand for the original work."²²⁷

Following these principles, it would appear that an Internet user who copies an online article for noncommercial purposes such as research, teaching, or scholarship is not interfering with the market for the web site owner's copyrighted material. The web sites presumably make money by charging companies to advertise on their sites. By copying an article for research purposes, the Internet user is not affecting the ability of the copyright holder to use its copyrighted material to charge advertising fees. This result should not differ no matter how widespread the copying for research or scholarship purposes.

However, the fourth factor also directs courts to examine the effect of the infringement on the *potential* market for the copyrighted work.²²⁸ This factor can be construed very broadly if a court assumes that any use of a copyrighted work is an intrusion into a potential market for the copyright owner.²²⁹ In other words, the use of an Internet article for scholarly purposes could have an adverse effect on a potential market of the copyright holder if the web site owner ever chooses to use the article for the same scholarly purpose. Of course, in reality this is unlikely because the web sites are simply in the business of providing information to the public. Therefore, courts generally define the potential market for the use more narrowly as the market "that creators of original works would in general develop or license others to develop."²³⁰ Under this definition, use of an Internet article for research or scholarship will not fail under the fourth factor unless the web site owner contemplates developing the same research or scholarship or licensing a third party to use its copyrighted material for that research or scholarship. Thus, in

225. See *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 590 (1994) (explaining that fourth factor requires courts to analyze "the extent of the market harm caused by the particular actions of the alleged infringer").

226. See *NIMMER ON COPYRIGHT*, *supra* note 167, § 13.05[A][4] (stating that courts should consider "whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market" for copyrighted work).

227. *Consumers Union of United States, Inc. v. Gen. Signal Corp.*, 724 F.2d 1044, 1050 (2d Cir. 1983).

228. 17 U.S.C. § 107(4) (emphasis added).

229. See *PATRY*, *supra* note 196, at 557 ("If taken to a logical extreme, the fourth factor would always weigh against fair use since there is always a potential market that the copyright owner could in theory license.").

230. *Campbell*, 510 U.S. at 592; see also *PATRY*, *supra* note 196, at 558 (stating that term "potential" should refer to "not only uses currently being exploited, but also uses that the copyright owner might have an interest in exploiting in the future").

the context of noncommercial purposes such as research, teaching, or scholarship, the use of the online information will not have an adverse effect on the "potential market for or value of the copyrighted work."²³¹

C. Fair Use as a Defense to Infringement on the Web

The fair use doctrine will provide a defense to many uses of the copyrighted material on informational web sites.²³² Although some uses may be deemed partly commercial, and some users may copy an entire article, the four fair use factors, when analyzed together, demonstrate that the doctrine will provide a valid defense for most noncommercial uses.²³³ However, the web site user agreements, if valid contracts, prohibit such uses.²³⁴ Therefore, it is necessary to turn to a discussion of the conflict between the state law contract provisions and federal copyright law.

IV. Federal Preemption of State Law Contract Claims

The Copyright Act contains a preemption section providing that state law causes of action may be preempted by a cause of action under the federal act.²³⁵ In order for a state law cause of action to be preempted, it must meet two requirements. First, preemption occurs only if the state law creates a right that is "equivalent to any of the exclusive rights within the general scope of copyright."²³⁶ Second, the state law right must "come within the subject matter of copyright."²³⁷ A state law claim is not preempted only if it "contains at least one element that makes it qualitatively different from a claim of copyright infringement."²³⁸

231. 17 U.S.C. § 107.

232. See *supra* notes 180-83 and accompanying text (discussing possible uses that are potentially protected by fair use doctrine but prohibited by web site copyright restrictions).

233. See *supra* notes 188-231 and accompanying text (discussing fair use factors).

234. See *supra* notes 11-13 and accompanying text (discussing web site copyright provisions).

235. See 17 U.S.C. § 301 (providing for preemption of state law). This section provides as follows:

[A]ll 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 . . . 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.

Id.

236. *Id.*

237. *Id.*

238. *Frontline Test Equip., Inc. v. Greenleaf Software, Inc.*, 10 F. Supp. 2d 583, 592 (W.D. Va. 1998).

Therefore, the question is whether a claim of breach of an Internet contract is equivalent to a right under copyright law and comes within the subject matter of copyright law, or if such claim contains an element that makes it qualitatively different from a claim of copyright infringement.²³⁹ Many courts have analyzed this preemption issue and reached different conclusions.²⁴⁰ However, despite the disagreement among courts, a court should find that in the case of a breach of the copyright provisions of an Internet contract, federal copyright law preempts the state law claim.

First, it may be argued that the history of the preemption section itself suggests that Congress intended for the Copyright Act to preempt state law breaches of contract. A proposed preemption section provided that the Copyright Act did not limit "any rights or remedies under the law of any State with respect to . . . 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 . . ." ²⁴¹ Thus, this statute specifically excluded breaches of contract from the class of preempted rights. However, the current § 301 deleted any mention of breach of contract claims.²⁴² The fact that Congress originally felt that contract rights were not equivalent to copyrights, but subsequently omitted the reference to breach of contract claims, can be used to argue that Congress intended for § 301 to preempt a contract claim. At least one court has relied on this congressional history in reaching this conclusion.²⁴³ However, others have disagreed with this conclusion.²⁴⁴

The disagreement over the inference to be drawn from the legislative history is irrelevant because that history is not necessary in concluding that federal copyright law preempts the rights created by online agreements. This conclusion is warranted because the rights granted to the web site owners under the online user agreements are equivalent to rights within the general scope of copyright.²⁴⁵ Courts have stated that a contract right is equivalent to

239. See *supra* notes 236-38 and accompanying text (discussing standards for preemption of state claim).

240. See *infra* notes 251-303 and accompanying text (discussing preemption cases).

241. H.R. 4347, 89th Cong. § 301(b)(3) (1966).

242. See 17 U.S.C. § 301 (omitting any mention breach of contract claims).

243. See *Wolff v. Inst. of Elec. & Elecs. Eng'rs, Inc.*, 768 F. Supp. 66, 69 (S.D.N.Y. 1991) ("Where Congress includes limiting language in an earlier version of a bill, but deletes it prior to enactment, it may be presumed that the limitation was not intended." (quoting *Russello v. United States*, 464 U.S. 16, 23-24 (1983))).

244. See *Architectronics, Inc. v. Control Sys., Inc.*, 935 F. Supp. 425, 440 (S.D.N.Y. 1996) (reasoning that "*Wolff* rests almost entirely on what [this court] believe[s] are mistaken inferences from the legislative history of § 301"); see also NIMMER ON COPYRIGHT, *supra* note 167, § 1.01[B][1][a] (arguing that *Wolff* court's "logic is faulty").

245. 17 U.S.C. § 301.

copyright if the act of reproduction, distribution, or display infringes the contract right²⁴⁶ because these acts are among the exclusive rights granted to the copyright owner.²⁴⁷ In other words, "if under state law the act of reproduction, performance, distribution, or display . . . will *in itself* infringe the state-created right, then such right is pre-empted."²⁴⁸

Under the state law online user agreements, the act of reproduction (if such reproduction is for other than personal interest) or distribution (as in the case of a teacher who distributes articles to her students) will violate the agreements because copying of the online materials is limited to personal and noncommercial use.²⁴⁹ Nothing more than reproduction or distribution is required in order to violate these agreements. A breach of the online agreement does not contain an element that makes it qualitatively different from a claim of copyright infringement.²⁵⁰ For example, if a user copies an online article for scholarship use and subsequent distribution to publishers of scholarly journals, that user has violated the online agreement. However, the copying is also a copyright infringement, subject, of course, to a fair use defense. Therefore, the federal copyright law will preempt the state law contract claim.

246. See *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 716 (2d Cir. 1992) ("Section 106, in turn, affords a copyright owner the exclusive right to: (1) reproduce the copyrighted work; (2) prepare derivative works; (3) otherwise; and, with respect to certain artistic works, (4) perform the work publicly; and (5) display the work publicly. Section 301 thus preempts only those state law rights that may be abridged by an act which, in and of itself, would infringe one of the exclusive rights provided by federal copyright law.") (internal citations and quotations omitted); see *Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488, 1501 (5th Cir. 1990) (explaining that "right is equivalent if the mere act of reproduction, distribution, or display infringes it"); *Am. Movie Classics Co. v. Turner Entm't Co.*, 922 F. Supp. 926, 931 (S.D.N.Y. 1996) (explaining that "breach of contract claim is preempted if it is merely based on allegations that the defendant did something that the copyright laws reserve exclusively to the plaintiff (such as unauthorized reproduction, performance, distribution, or display)"); *Wolff*, 768 F. Supp. at 69 (finding that, because defendant had both breached contract and infringed plaintiff's copyright through unauthorized reproduction of plaintiff's photograph, breach of contract claim was preempted); see also *Oddo v. Ries*, 743 F.2d 630, 635 (9th Cir. 1984) (asserting that preemption of state right occurs only "if that right may be abridged by an act which, in and of itself, would infringe one of the exclusive rights listed in § 106") (internal quotations omitted).

247. See 17 U.S.C. § 106 (providing that owner of copyright has exclusive rights to "reproduce," "prepare derivative copies," "distribute copies" and "perform the copyrighted work publicly").

248. NIMMER ON COPYRIGHT, *supra* note 167, § 1.01[B][1].

249. See *supra* notes 11-13 and accompanying text (discussing restrictive copyright provisions on web sites).

250. See *Frontline Test Equip., Inc. v. Greenleaf Software, Inc.*, 10 F. Supp. 2d 583, 592 (W.D. Va. 1998) (explaining that, in order for state law claim to avoid preemption, that claim must "[contain] at least one element that makes it qualitatively different from a claim of copyright infringement").

A. Cases in Which Federal Law Preempted State Law

The cases in which courts have found preemption are all factually similar to the above scenario. For example, in *Wolff v. Institute of Electrical & Electronics Engineers, Inc.*,²⁵¹ the Southern District of New York held that federal copyright law preempted the plaintiff's breach of contract claim.²⁵² In *Wolff*, the plaintiff granted the defendant a right to a one time use of the plaintiff's photograph in defendant's magazine.²⁵³ However, the defendant used a reproduction of the photograph in subsequent advertisements without the plaintiff's permission, and the plaintiff sued, claiming both copyright infringement and breach of contract.²⁵⁴ The defendant then argued that the breach of contract claim was preempted by federal law.²⁵⁵ The court explained that the contract right was not qualitatively different from the right granted under the Copyright Act.²⁵⁶ The defendant breached the contract by infringing on the plaintiff's copyright; thus, the court found that the contract claim was preempted.²⁵⁷

In *Harper & Row, Publishers, Inc. v. Nation Enterprises*,²⁵⁸ the court ruled that the plaintiffs' claims of conversion and interference with contract were preempted by federal copyright law.²⁵⁹ In *Harper & Row*, the plaintiffs

251. 768 F. Supp. 66 (S.D.N.Y. 1991).

252. *Wolff v. Inst. of Elec. & Elecs. Eng'rs, Inc.*, 768 F. Supp. 66, 69 (S.D.N.Y. 1991) (finding that state law breach of contract claim was preempted by Copyright Act). In *Wolff*, the defendant breached its contract with the plaintiff by using the plaintiff's photograph in an unauthorized manner. *Id.* at 67. The court did not engage in an exhaustive analysis of preemption law, but did state the general principle that state claims are equivalent to rights under the Copyright Act unless the state claim is "qualitatively different" from the rights granted by federal law. *Id.* at 69. The court also relied on the fact that Congress had originally created a safe harbor provision for breach of contract claims, but had then removed that provision. *Id.* The court stated that "[w]here Congress includes limiting language in an earlier version of a bill, but deletes it prior to enactment, it may be presumed that the limitation was not intended." *Id.* (quoting *Russello v. United States*, 464 U.S. 16, 23-24 (1983)). Therefore, the court found that federal law preempted the breach of contract claim. *Id.*

253. *Id.* at 67.

254. *Id.*

255. *Id.* at 69.

256. *See id.* (finding that defendant breached contract by infringing plaintiff's copyright; therefore, it was "difficult to see how the resulting claims are qualitatively different").

257. *See id.* ("Accordingly, the breach of contract claim is preempted.").

258. 501 F. Supp. 848 (S.D.N.Y. 1980), *aff'd*, 723 F.2d 195 (2d Cir. 1983), *rev'd on other grounds*, 471 U.S. 539 (1985).

259. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 501 F. Supp. 848 (S.D.N.Y. 1980) (finding that state law claims were preempted), *aff'd*, 723 F.2d 195 (2d Cir. 1983), *rev'd on other grounds*, 471 U.S. 539 (1985). In *Harper & Row*, the plaintiffs alleged state claims of conversion and interference with contract after the defendant published excerpts of Gerald Ford's memoirs without permission. *Id.* at 849-50. The court stated that preempted state claims

obtained permission from Gerald Ford to publish his memoirs.²⁶⁰ The plaintiffs then entered into a contract with Time, Inc. in which they agreed to allow Time to publish excerpts of the memoirs in an issue of its magazine.²⁶¹ However, the defendant somehow obtained the memoirs and published them without the plaintiff's permission.²⁶² The plaintiffs alleged conversion and interference with their contract with Time.²⁶³ The court explained that the essence of the conversion claim was the defendant's act of copying portions of the memoirs.²⁶⁴ Under this claim, the court explained that "plaintiffs seek to vindicate rights which are equivalent to the rights protected under the copyright laws, i.e., the exclusive right to reproduce and distribute a copyrightable work."²⁶⁵ Therefore, federal law preempted the conversion claim.²⁶⁶ Next, in analyzing the plaintiffs' interference with contract claim, the court explained that the rights the plaintiffs sought to have protected were analogous to the rights of copyright holders because they were the rights to prepare derivative works and to distribute copies of the copyrighted work.²⁶⁷ Therefore, this claim was also preempted.²⁶⁸

In *Universal City Studios, Inc. v. T-Shirt Gallery, Ltd.*,²⁶⁹ the court found that the Copyright Act preempted the plaintiffs' state law claim of unfair competition.²⁷⁰ In *Universal City*, the plaintiff alleged that the defendant vio-

are those that invoke rights that are equivalent to the rights under the scope of copyright; these include the right to exclusive reproduction, performance, distribution, or display. *Id.* at 852. In this case, the plaintiff's state claims sought to vindicate these exclusive rights because the claims alleged that the defendant had reproduced and distributed the plaintiff's copyrighted work. *Id.* at 852-53. Therefore, federal copyright law preempted these state claims. *Id.*

260. *Id.* at 849.

261. *Id.*

262. *Id.*

263. *Id.* at 850.

264. *See id.* at 852 ("The essence of plaintiffs' conversion claim . . . is that defendants somehow obtained a copy of the unpublished manuscript of Mr. Ford's memoirs and copied portions of it.").

265. *Id.*

266. *Id.*

267. *See id.* at 853 (explaining that contractual right sought to be protected was "closely analogous" to exclusive rights of copyright holders).

268. *Id.* at 854.

269. 634 F. Supp. 1468 (S.D.N.Y. 1986).

270. *Universal City Studios, Inc. v. T-Shirt Gallery, Ltd.*, 634 F. Supp. 1468 (S.D.N.Y. 1986) (ruling that Copyright Act preempted state claim of unfair competition). In *Universal City*, the defendants created t-shirts featuring mouse characters called "Miami Mice." *Id.* at 1473. The t-shirt characters bore a striking resemblance to the two main characters on the plaintiff's copyrighted television show "Miami Vice." *Id.* *Universal City* sued on a state law claim of unfair competition. *Id.* at 1474. The court, however, ruled that the state claim consisted merely of the misappropriation and reproduction of the plaintiff's copyrighted characters

lated the state unfair competition law by reproducing and depicting the plaintiff's television show characters on t-shirts.²⁷¹ However, the court stated that the right that the plaintiff sought to have protected was equivalent to a right under copyright law.²⁷² The court ruled that "the unfair competition complained of here consists simply of the misappropriation and reproduction of the style and characters of plaintiffs' television series into t-shirt form;" therefore, federal law preempted the claim.²⁷³

These cases all involve situations in which the defendant simply reproduced or distributed the plaintiff's copyrighted work, and the plaintiff sued to enforce its rights under state law. These situations are factually similar to a situation in which an Internet user simply copies or reproduces portions of the copyrighted web site, and the web site owner subsequently sues to enforce the state law user agreement. Therefore, a court should hold that the user agreements, and the restrictive copyright provisions contained therein, are preempted by the Copyright Act.

B. Cases in Which Federal Law Did Not Preempt State Law

The cases in which courts have ruled that the federal act does not preempt a state claim are all distinguishable from the situation of an online user agreement because each contains some qualitatively different element. For example, in *Acorn Structures, Inc. v. Swantz*,²⁷⁴ federal law did not preempt the plaintiff's breach of contract claim because it did not arise out of the subject matter of copyright law.²⁷⁵ In *Acorn*, the plaintiff architectural company provided design drawings to the defendant, a prospective customer.²⁷⁶ The Fourth Circuit explained that implicit in the contract was an agreement

and was therefore preempted by the Copyright Act. *Id.* at 1475. The plaintiffs argued that their state claim contained the additional element of commercial immorality. *Id.* However, the court explained that the mere allegation of unfairness or immorality is insufficient to render a state claim qualitatively different from a federal copyright claim. *Id.* at 1476. "The use of [the commercial immorality] label in no way detracts from the fact that the misappropriation claim seeks to protect the same rights which the federal copyright laws are designed to protect." *Id.*

271. *Id.* at 1473.

272. *Id.* at 1475.

273. *Id.*

274. 846 F.2d 923 (4th Cir. 1988).

275. *Acorn Structures, Inc. v. Swantz*, 846 F.2d 923 (4th Cir. 1988) (finding that breach of contract claim did not arise out of same right as copyright and, thus, was not preempted). The court relied on an implicit agreement within the parties' contract that, if the defendant used the plaintiff's design plans, he would either purchase those plans or building materials from the plaintiff. *Id.* at 926. This implicit agreement did not arise out of one of the rights under copyright law; that is, copyright law alone would not protect the plaintiff's right to have this agreement enforced. *Id.* Therefore, copyright law did not preempt the breach of contract claim. *Id.*

276. *Id.* at 924.

that, if the defendant used the design plans, he would either buy the plans from the plaintiff or buy building materials from the plaintiff.²⁷⁷ However, the defendant hired another architect who used the plaintiff's plans.²⁷⁸ The court found that the plaintiff's resulting breach of contract claim was not preempted because the claim arose out of the implicit agreement that if the defendant used the plans, he would either buy them or buy building materials from the plaintiff.²⁷⁹ The delivery of the plans to the third party architect did not infringe upon a right equivalent to that granted by federal law because it did not arise out of the subject matter of copyright.²⁸⁰ Thus, the state law claim was not preempted.²⁸¹ Presumably, however, if the defendant had merely copied and distributed the plans for his own commercial gain, the Copyright Act would have preempted any state law cause of action.

Similarly, in *National Car Rental System, Inc. v. Computer Associates International, Inc.*,²⁸² the Eighth Circuit found that federal copyright law did not preempt the plaintiff's breach of contract claim because federal law alone did not grant the plaintiff the right it was seeking to enforce.²⁸³ In *National*, Computer Associates (CA) licensed its software to National in order for National to process its own data.²⁸⁴ However, National used the software to process third party data.²⁸⁵ In the ensuing breach of contract claim by CA, the court explained that "CA does not claim that National is doing something that the copyright laws reserve exclusively to the copyright holder, or that the use restriction is breached 'by the mere act of reproduction, performance, distribution or display.'"²⁸⁶ The prohibited act was the processing of data for third parties, and the Copyright Act does not prohibit that act by its own force.²⁸⁷

277. *Id.* at 926.

278. *Id.* at 925.

279. *See id.* at 926 ("Acom's cause of action is based upon this implicit provision of the contract which does not arise out of the subject matter of copyright and is therefore a separate and distinct cause of action.").

280. *Id.*

281. *Id.*

282. 991 F.2d 426 (8th Cir. 1993).

283. *National Car Rental Sys., Inc. v. Computer Assocs. Int'l, Inc.*, 991 F.2d 426 (8th Cir. 1993) (finding breach of contract claim not preempted because it was different from copyright claim). In *National*, the key factor was that the contract created a right beyond those rights protected by the Copyright Act. *Id.* at 433. The contract prohibited National's processing of data for third parties. *Id.* at 428. The Copyright Act, on the other hand, protects only the rights of "reproduction, performance, distribution or display." *Id.* at 431. Therefore, the court concluded that federal law did not preempt the breach of contract claim. *Id.* at 435.

284. *Id.* at 427-28.

285. *Id.* at 428.

286. *Id.* at 433.

287. *See id.* (explaining that no exclusive right under copyright law granted CA right it sought to enforce under parties' contract).

Because CA's claim arose from the parties' agreement and would not have existed under federal law alone, that claim was not preempted.²⁸⁸ Therefore, *National* is also distinguishable from a case in which the defendant merely commits one of the acts described in 17 U.S.C. § 106.

Next, in *Frontline Test Equipment, Inc. v. Greenleaf Software, Inc.*,²⁸⁹ a federal district court found that federal law did not preempt a breach of contract claim alleging decompilation of the plaintiff's computer program.²⁹⁰ The plaintiff had licensed its software to the defendant, subject to a contract prohibiting decompilation of the software.²⁹¹ When the defendant allegedly decompiled the software program, the plaintiff sued, claiming breach of contract.²⁹² The court adopted the views of Professors Melville Nimmer and David Nimmer that "preemption should continue to strike down claims that, though denominated contract, nonetheless complain directly about the reproduction of excessive materials."²⁹³ Here, the complaint alleged a qualitatively different element than mere reproduction; it alleged the breach of contract claim of decompilation.²⁹⁴ The court explained that federal copyright law does not proscribe decompilation.²⁹⁵ Therefore, federal law did not preempt the breach of contract claim.²⁹⁶

The most significant preemption case is *ProCD, Inc. v. Zeidenberg*.²⁹⁷ *ProCD* is important because it addressed the validity of a shrinkwrap contract and federal preemption of the terms of that contract.²⁹⁸ The Seventh Circuit held that the shrinkwrap contract was enforceable and, further, that federal law did not preempt the resulting breach of contract claim.²⁹⁹ The court

288. See *id.* ("Absent the parties' agreement, the restriction would not exist.").

289. 10 F. Supp. 2d 583 (W.D. Va. 1998).

290. *Frontline Test Equip., Inc. v. Greenleaf Software, Inc.*, 10 F. Supp. 2d 583 (W.D. Va. 1998) (finding that breach of contract claim alleging decompilation of plaintiff's software was qualitatively different from copyright claim). In *Frontline*, the plaintiff alleged that the defendant had breached the contract by decompiling the plaintiff's software. *Id.* at 587. The defendant argued that this claim was preempted by federal law. *Id.* However, the court explained that "[d]ecompilation is not forbidden by federal copyright law." *Id.* at 593. The court relied on the exclusive rights listed in 17 U.S.C. § 106 to reach this conclusion. *Id.* Because the act of decompilation was forbidden only by the parties' contract, the court found that the breach of contract claim was not preempted. *Id.*

291. *Id.* at 585-86.

292. *Id.* at 586-87.

293. *Id.* at 593 (quoting NIMMER ON COPYRIGHT, *supra* note 167, § 1.01[B][1][a]).

294. See *id.* (explaining that plaintiff complained of action that violated contract, but did not violate copyright law).

295. See *id.* ("Decompilation is not forbidden by federal copyright law.").

296. *Id.*

297. 86 F.3d 1447 (7th Cir. 1996).

298. See *supra* notes 66-75 and accompanying text (discussing *ProCD*).

299. *ProCD*, 86 F.3d at 1455.

reasoned that, because of the different nature of the rights, contract rights are not equivalent to rights granted under federal copyright law.³⁰⁰ Copyright is enforceable against the whole world, whereas contractual rights are enforceable only against the parties involved.³⁰¹ The defendant in *ProCD* breached the contract by putting the plaintiff's software to his own commercial use.³⁰² The court therefore enforced the contract because of the difference between the rights under the contract and the rights under copyright law.³⁰³

ProCD, however, is not as damaging as it might first appear to the idea that an online user agreement is preempted by federal copyright law. First, the Seventh Circuit admitted that it thought "it prudent to refrain from adopting a rule that anything with the label 'contract' is necessarily outside the preemption clause: the variations and possibilities are too numerous to foresee."³⁰⁴ Relying on *National Car*, the court recognized that the Copyright Act may preempt some rights under contract law.³⁰⁵ Also, *ProCD* involved a situation in which the defendant did more than merely reproduce or distribute the plaintiff's work; he used the plaintiff's work to set up a competing business and to sell the plaintiff's product at a lower price.³⁰⁶ This situation – which would clearly be unprotected by the fair use defense – is easily distinguishable from a situation in which an Internet user simply makes copies of a web site article to distribute to students, to use for scholarly research, or even to use to write a critical opinion article. As in *Acorn*, *National Car*, and *Frontline*, the state law claim in *ProCD* was not preempted because it involved more than simply infringing on a copyright holder's right under 17 U.S.C. § 106.³⁰⁷ The fact that *ProCD* involved a shrinkwrap contract is also not dispositive; as discussed above, shrinkwrap contracts are distinguishable from the contracts that might be created by online user agreements.³⁰⁸ Also, the *ProCD* court stated that preemption is not warranted for "shrinkwrap licenses of the kind before us," thus indicating that preemption of other kinds of shrinkwrap contracts might be warranted.³⁰⁹

300. *Id.* at 1454.

301. *Id.*

302. *Id.* at 1450.

303. *Id.* at 1455.

304. *Id.*

305. *Id.*

306. *Id.* at 1450.

307. *See supra* notes 274-96 and accompanying text (discussing *Acorn*, *National Car*, and *Frontline* cases).

308. *See supra* notes 138-41 and accompanying text (discussing differences between shrinkwrap contracts and online user agreements).

309. *ProCD*, 86 F.3d at 1455.

*C. Federal Copyright Law Will Preempt the State Law
Online User Agreements*

In conclusion, all of the cases finding that federal law did not preempt state law claims contain a qualitative element in addition to mere reproduction or the like. This fact distinguishes these cases from the issue of preemption of an online user agreement. The *Wolff, Harper & Row*, and *Universal City* cases are more analogous to a case in which an online user copies Internet articles for certain fair uses.³¹⁰ Therefore, a court should hold that the restrictive copyright provisions contained within the web site user agreements are preempted by § 301 of the Copyright Act.

V. Tying It All Together

The several legal issues presented by the user agreements of informational web sites are so interrelated that any court addressing the enforceability of these agreements must eventually analyze each of these issues. This Note has addressed each of these issues in turn and in the order in which a court should address them. The inevitable conclusion is that the restrictive copyright notices in these web sites are unenforceable.

Under an analysis of contract law, the first question is whether these online agreements, and the copyright provisions contained therein, satisfy the requirement of mutual assent, and, to a lesser degree, the requirement of an exchange of consideration.³¹¹ The relatively hidden nature of the agreements suggests that these contractual requirements are missing.³¹² Although the trend toward enforceability of clickwrap and shrinkwrap contracts suggests that courts are willing to find a valid contract under non-traditional factual scenarios,³¹³ these classes of cases are distinguishable from the factual scenario of an online user agreement on an informational web site.³¹⁴ Furthermore, although browsewrap contracts are more akin to online user agreements, the two courts that have addressed browsewrap contracts have reached opposite conclusions regarding their enforceability.³¹⁵ Thus, it is very possible that informational web site user agreements are unenforceable.

310. See *supra* notes 251-73 and accompanying text (discussing this trio of cases and their similarity to copying of informational web site).

311. See *supra* Part II.A (discussing traditional contractual requirements in context of Internet agreements).

312. See *supra* Part II.A (explaining that online user agreements may not satisfy mutual assent).

313. See *supra* Part II.B (discussing clickwrap and shrinkwrap cases and effect on contract law).

314. See *supra* Parts II.B & II.C (discussing distinguishability of these cases from online user agreements).

315. See *supra* notes 110-29 and accompanying text (discussing browsewrap cases).

Even if the online agreements and their copyright provisions are valid under state contractual law, these provisions meet a more damaging legal hurdle under the federal Copyright Act. The restrictive copyright provisions conflict with the affirmative defense provided by the fair use doctrine.³¹⁶ Under the fair use doctrine, several noncommercial uses – such as teaching, scholarship, critical commentary, and research – of the information on these web sites are permissible.³¹⁷ However, the terms of the web site user agreements facially bar such uses.³¹⁸ Thus, federal law and the online provisions are in conflict. This conflict is one that the state law user agreements cannot win. Under § 301 of the Copyright Act, federal law preempts state law causes of action when the state law claims fall within the subject matter of copyright and invoke rights equivalent to those granted by the Copyright Act.³¹⁹ In this situation, the rights invoked by the online user agreements fall squarely within the subject matter of copyright and are equivalent.³²⁰ There is no qualitative difference between a copyright infringement action concerning use of the web site material and a breach of contract claim under the user agreements.³²¹ Therefore, such a breach of contract claim is preempted. Because any suit will then fall entirely under federal copyright law, the fair use doctrine will provide a defense for the various uses described in this Note. In the end, teachers, researchers, scholars, and other fair users of the Internet material have nothing to fear from the seemingly restrictive copyright terms of these web sites.

316. See *supra* Part III.B (discussing fair use defense to copyright infringement).

317. See *supra* Part III.B (explaining that certain uses of web site material may be fair).

318. See *supra* Part I.A (describing restrictive copyright provisions of web sites).

319. See *supra* Part IV (discussing federal preemption of state law).

320. See *supra* Part IV.C (concluding that state law rights under online user agreements are preempted).

321. See *supra* Part IV (discussing requirement of additional qualitative element of state law claim to avoid preemption and failure of breach of contract claims under user agreements to meet this requirement).