1993

"Arising Under" Jurisdiction and the Copyright Laws

Amy B. Cohen
Western New England University School of Law, acohen@law.wne.edu

Follow this and additional works at: http://digitalcommons.law.wne.edu/facschol

Part of the Intellectual Property Commons

Recommended Citation
44 Hastings L.J. 337 (1993)
"Arising Under" Jurisdiction and the Copyright Laws

by

AMY B. COHEN*

Introduction

Section 1338(a) of title 28 of the United States Code gives the federal district courts original and exclusive jurisdiction over matters arising under the copyright laws, but when does a claim "arise under" the copyright laws? Although a wide variety of cases have presented this question, one factual scenario has produced the most inconsistent results. That case may typically be described as follows: Plaintiff is an author who created a work and transferred some or all of her copyright interests therein to another, the defendant, subject to certain conditions; the transferee used the work, but breached some of those conditions. The author sues in federal court, claiming copyright infringement and breach of contract. The transferee moves to dismiss for lack of subject matter jurisdiction.

Professor of Law, Western New England College School of Law. B.A. 1974, Connecticut College; J.D. 1978, Harvard Law School. I wish to thank my colleagues, John D. Egnal and Arthur D. Wolf, for their assistance during the preparation of this Article; their willingness to read drafts and discuss issues of federal jurisdiction with me is much appreciated. I also thank the members of the Western New England College School of Law faculty who participated in a faculty forum regarding this Article; many of their suggestions have been incorporated herein. In addition, I would like to express my appreciation to Howard I. Kalodner, Dean of Western New England College School of Law, for supporting this project with a summer research grant, to Professor J. Russell VerSteeg, New England School of Law, to my research assistant, John T. Wolohan, and to Nancy Hachigian.

Most importantly, I want to thank my husband, Harvey Shrage, who is a constant and continuing source of inspiration for everything I do.

1. 28 U.S.C. § 1338(a) (1988) ("The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.").

There are a number of possible variations on this theme. For example, sometimes the author sues in state court and the transferee moves to dismiss for lack of subject matter jurisdiction because the case arises under the copyright laws, or the transferee removes the case to federal court on that basis and the author then moves to remand the case to state court. In other cases the author, after assigning the entire copyright to the other, attacks the assignment’s validity and reasserts her rights to use the work. Either party might bring suit in this situation. The transferee would likely defend the contract’s validity and charge that the author’s use of the work infringed the copyright, breached the contract, or both. Meanwhile, the author might seek to have the assignment contract declared void, claim that the transferee infringed the copyright by using the work without a valid assignment, or both. Still other cases focus on conflicting assignments under which various parties claim ownership of the copyright, each alleging that the others are breaching a contract, infringing the copyright, or both. Whatever the particular factual context, these cases all raise a similar legal issue: Does a claim arise under the copyright laws when a critical allegation is that a party’s use of a copy-


righted work is unpermitted and infringing because such use was limited by the terms of a contract?\(^8\)

The federal courts of appeals have confronted this question in a number of recent cases. Many have concluded that federal jurisdiction exists, reversing district court judgments of dismissal for lack of subject matter jurisdiction.\(^9\) Despite these repeated attempts to resolve the matter, however, this question continues to confound the courts, which lack a clear approach to defining when a claim arises under the copyright laws for purposes of federal jurisdiction. Although numerous courts of appeals and district courts have analyzed the issue, the Supreme Court has never specifically addressed this question.\(^10\) Lower courts determining

---

8. Copyright jurisdiction issues also arise in other contexts, such as disputes between purported coauthors of a work. In Harrington v. Mure, 186 F. Supp. 655 (S.D.N.Y. 1960), the court held that a suit to establish rights of co-ownership in a copyrighted work did not arise under the copyright laws because it did not constitute a suit for infringement. Id. at 657-58. The court observed that “Congress left a considerable residue of power in the state courts to pass on ‘copyright questions’—among them, questions arising in contract and title disputes.” Id. at 658; see also Oddo v. Ries, 743 F.2d 630, 632-33 (9th Cir. 1984) (holding dispute between partners over rights in copyrighted work created through partnership should be resolved by state partnership law and did not arise under the copyright laws since coauthors cannot sue each other for infringement); cf. Goodman v. Lee, 815 F.2d 1030 (5th Cir. 1987) (holding action to establish joint authorship of a work arose under copyright laws because decision required construction of § 201(a) of Copyright Act); Lieberman v. Estate of Chayefsky, 535 F. Supp. 90 (S.D.N.Y. 1982) (same). This Article focuses on the paradigm case and variations described supra text accompanying notes 2-7. For general discussions of copyright jurisdiction, see 2 PAUL GOLDSTEIN, COPYRIGHT: PRINCIPLES, LAW AND PRACTICE §§ 13.2-13.2.2; 13.2.2.4 (1989), and 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 12.01[A] (1991).

9. E.g., Arthur Young & Co. v. City of Richmond, 895 F.2d 967 (4th Cir. 1990); Vestron, 839 F.2d at 1380; Effects Assocs. v. Cohen, 817 F.2d 72 (9th Cir. 1987); Topolos v. Caldewe y, 698 F.2d 991 (9th Cir. 1983). Contra Borden v. Katzman, 881 F.2d 1035 (11th Cir. 1989) (dismissing case for lack of subject matter jurisdiction after district court judgment on merits); Royal v. Leading Edge Prods., 833 F.2d 1 (1st Cir. 1987) (affirming district court’s dismissal for lack of subject matter jurisdiction). For a detailed discussion of these cases, see infra notes 144-177 and accompanying text.

10. The Supreme Court has recognized the existence of federal jurisdiction over copyright matters, see, e.g., Globe Newspaper Co. v. Walker, 210 U.S. 356, 360 (1908), and once held that a suit based on common-law copyright in an unpublished work (as distinguished from a suit based on federal statutory copyright) did not arise under the copyright laws of the United States for purposes of determining whether that case fit within its own appellate jurisdiction, see Press Publishing Co. v. Monroe, 164 U.S. 105, 111-12 (1896). Jurisdictional limitations due to common-law copyright no longer exist, however, as Congress provided in its 1976 revision of the copyright laws, Act of Oct. 19, 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified as amended at 17 U.S.C. §§ 101-914 (1988 & Supp. II 1990)), that the federal copyright statute preempts all state laws providing equivalent rights and that federal copyright applies to all works “fixed in a tangible medium of expression,” whether published or not. See id. sec. 101, § 301(a), 90 Stat. at 2572 (codified at 17 U.S.C. § 301(a) (1988)). The Supreme Court has not directly addressed the scope of federal jurisdiction over claims affecting works protected by federal copyright.
the scope of copyright jurisdiction have thus relied on two related lines of
Supreme Court precedent: Cases arising under the patent laws for pur-
poses of 28 U.S.C. § 1338; and cases arising under the laws of the United
States for purposes of the federal question jurisdiction provided in 28
U.S.C. § 1331.\(^\text{11}\) Unfortunately, these precedents are so unclear that the
question of when a case arises under federal law has been described as
"[t]he most difficult single problem in determining whether federal ques-
tion jurisdiction exists."\(^\text{12}\) The lower courts have only exacerbated the
problem by attempting to draw analogies from these inconsistent prece-
dents to govern copyright jurisdiction.

This issue has great practical and theoretical significance. Clear
guidelines for deciding whether to sue in state or federal court would be
of substantial practical value to a lawyer preparing to file a lawsuit.\(^\text{13}\)

\(^\text{11}\) Section 1331 provides: "The district courts shall have original jurisdiction of all civil
actions arising under the Constitution, laws, or treaties of the United States." 28 U.S.C.
§ 1331 (1988). The jurisdiction conferred by sections 1331 and 1338 is further limited by and
based upon Article III of the United States Constitution, which provides: "The judicial Power
shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the
United States, and Treaties made, or which shall be made, under their Authority . . . ." U.S.
CONST. art. III, § 2, cl. 1. It is well settled that the constitutional phrase "arising under"
is broader in scope and includes far more cases than does the same language used in 28 U.S.C.
§ 1331. See, e.g., Verlinden B.V. v. Central Bank of Nig., 461 U.S. 480, 494-95 (1983); see also
William Cohen, The Broken Compass: The Requirement That a Case Arise "Directly" Under
Federal Law, 115 U. PA. L. REV. 890, 891 (1967); Donald L. Doernberg, There's No Reason
for It; It's Just Our Policy: Why the Well-Pleaded Complaint Rule Sabotages the Purpose of
Federal Question Jurisdiction, 38 HASTINGS L.J. 597, 607-11 (1987); Paul J. Mishkin, The
Federal "Question" in the District Courts, 53 COLUM. L. REV. 157, 160-63 (1953); A. Mark
Segreti, Jr., Vesting the Whole "Arising Under" Power of the District Courts in Federal Preemp-
tion Cases, 37 OKLA. L. REV. 539, 539-40 (1984); Mary P. Twitchell, Characterizing Federal
Claims: Preemption, Removal, and the Arising-Under Jurisdiction of the Federal Courts, 54
GEO. WASH. L. REV. 812, 816-17 (1986); Richard E. Levy, Note, Federal Preemption. Re-
moval Jurisdiction, and the Well-Pleaded Complaint Rule, 51 U. CHI. L. REV. 634, 636-37
(1984); Ronald J. Mann, Note, Federal Jurisdiction over Preemption Claims: A Post-Franchise

\(^\text{12}\) 13B CHARLES ALAN WRIGHT, ARTHUR R. MILLER & EDWARD H. COOPER, FED-
ERAL PRACTICE AND PROCEDURE § 3562, at 17 (2d ed. 1984). The Supreme Court made a
similar observation in Franchise Tax Board v. Construction Laborers Vacation Trust, 463 U.S.
1, 8 (1983), quoted infra text accompanying note 33; see also Cohen, supra note 11, at 890;
Doernberg, supra note 11, at 598; Alan D. Hornstein, Federalism, Judicial Power and the
"Arising Under" Jurisdiction of the Federal Courts: A Hierarchical Analysis, 56 IND. L.J. 563,
563 (1981); Twitchell, supra note 11, at 816-17.

\(^\text{13}\) When diversity of citizenship exists between the parties, of course, plaintiff's counsel
can be confident that she may bring suit in federal court. See 28 U.S.C. § 1332 (1988) ("The
district courts shall have original jurisdiction of all civil actions where the matter in contro-
versy exceeds the sum or value of $50,000, exclusive of interest and costs, and is between . . .
citizens of different States . . . ."). Even then, however, she cannot determine whether she must
file the case in federal court because she will remain uncertain as to the existence of exclusively
federal copyright jurisdiction under current approaches.
Litigants and society would benefit by spending less time and money on the determination of jurisdictional questions. This issue also raises important theoretical questions of federalism and the appropriate role of the federal courts in determining matters related to the copyright laws. The time has come to consider this issue more thoroughly and to develop coherent guidelines for deciding whether a claim arises under the copyright laws.

In the past decade the Supreme Court has rendered several decisions addressing when a case arises under federal law, and in Christianson v. Colt Industries Operating Corp. it addressed the specific question of when a case arises under the patent laws. Although the Court has yet to consider copyright jurisdiction directly, its recent decisions in these analogous areas may provide better guidance to the lower courts. These decisions also allow the courts to consider whether copyright claims present any unique problems that call for a different analysis in determining whether a case arises under the copyright laws.

Part I of this Article analyzes 28 U.S.C. §§ 1331 and 1338 and some of the Supreme Court decisions that shed light on their meaning. Part II reviews the cases that have specifically focused on copyright jurisdiction. Drawing heavily on Supreme Court decisions in the patent jurisdiction and federal question jurisdiction areas, the lower courts have developed two principal and inconsistent approaches to this question. One group of courts attempts to discern the heart of the case and the plaintiff's purpose in bringing it, while the other looks only to the language of the plaintiff's complaint. As Part III then explains, each of these approaches is seriously flawed. After reviewing alternative methods that scholars have proposed for determining federal question jurisdiction, Part III analyzes the purposes and policies underlying copyright law and the countervailing state interests in contract law. Based on this review, this Article concludes that courts should resolve questions of copyright jurisdiction by testing the relative weight of these federal and state interests. Federal courts should exercise jurisdiction over all cases in which federal copyright law interests outweigh state contract law concerns. Finally, Part III describes how courts should weigh these interests in some typical copyright jurisdiction conflicts to insure that the important federal copyright matters are heard in federal court, while allowing state courts to decide cases in which state interests predominate.

14. 486 U.S. 800, 807-13 (1988); see infra notes 90-112 and accompanying text.
I. Supreme Court Analyses of General Federal Question and Patent Jurisdiction

A. General Federal Question Jurisdiction

Title 28, section 1331 of the United States Code gives the federal district courts "original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States."\(^{15}\) Granting the federal courts original jurisdiction over such matters principally serves to ensure consistency in the interpretation and application of federal law and to protect against antifederal bias in the state courts.\(^{16}\) Despite their clear understanding of federal question jurisdiction's purposes, federal courts have long struggled to define when an action arises under federal law according to section 1331.\(^{17}\) It has been said that "[t]here is no single rationalizing principle that will explain all of the decisions" that construe this section.\(^{18}\) Certain doctrinal principles have developed, however, to help determine whether a case falls within the federal courts' jurisdiction as defined by section 1331.


16. In Martin v. Hunter's Lessee, 14 U.S. (1 Wheat.) 304 (1816), the Supreme Court recognized these concerns in discussing its own appellate jurisdiction over state court decisions raising federal or constitutional questions. Justice Story observed:

The constitution has presumed . . . that state attachments, state prejudices, state jealousies, and state interests, might sometimes obstruct, or control . . . the regular administration of justice. . . .

This is not all. A motive of another kind, perfectly compatible with the most sincere respect for state tribunals, might induce the grant of appellate power over their decisions. That motive is the importance, and even necessity of uniformity of decisions throughout the whole United States, upon all subjects within the purview of the constitution.

Id. at 347-48. Over 100 years later, Justice Brennan, dissenting in Merrell Dow Pharmaceuticals, Inc. v. Thompson, 478 U.S. 804 (1986), amplified this theme in the specific context of section 1331:

Congress granted the district courts power to hear cases "arising under" federal law in order to enhance the likelihood that federal laws would be interpreted more correctly and applied more uniformly. In other words, Congress determined that the availability of a federal forum to adjudicate cases involving federal questions would make it more likely that federal laws would shape behavior in the way that Congress intended.

Id. at 828 (Brennan, J., dissenting). Brennan also remarked that "[a]nother reason Congress conferred original federal-question jurisdiction on the district courts was its belief that state courts are hostile to assertions of federal rights." Id. at 827 n.6 (Brennan, J., dissenting). For similar arguments, see Doernberg, supra note 11, at 646-50, Hornstein, supra note 12, at 564-65, Segreti, supra note 11, at 539-42, and Levy, supra note 11, at 636.

17. See supra note 12 and accompanying text.

18. 13B WRIGHT, MILLER & COOPER, supra note 12, § 3562, at 19.
The most important of these principles is the well-pleaded complaint rule. *Louisville & Nashville Railroad Co. v. Mottley*\(^{19}\) is generally considered the most prominent early Supreme Court case recognizing this principle.\(^{20}\) In that case, the railroad had agreed to issue free lifetime passes to the plaintiffs in exchange for a release from liability for damages the latter had sustained in a train wreck. When the railroad failed to renew the passes as agreed, the plaintiffs sued to enforce the settlement. The plaintiffs' complaint alleged, in addition to the above facts, that a federal statute did not prohibit the railroad from distributing the passes (as the railroad had claimed) and, further, that if the federal statute did prohibit the distribution, then the statute violated the Fifth Amendment.\(^{21}\)

The Supreme Court dismissed the case sua sponte for lack of subject matter jurisdiction, reasoning that

> a suit arises under the Constitution and laws of the United States only when the plaintiff's statement of his cause of action shows that it is based upon those laws or that Constitution. It is not enough that the plaintiff alleges some anticipated defense to his cause of action and asserts that the defense is invalidated by some provision of the Constitution of the United States.\(^{22}\)

Thus, according to the well-pleaded complaint rule stated in *Mottley*, courts must determine whether a case "arises under" federal law solely on the basis of the claim alleged in the complaint, not by reference to any defenses that the plaintiff may anticipate therein or that the defendant may later raise in responsive pleadings. This rule treats issues raised by way of defense as too removed from the core of the case to justify taking the matter out of state court.\(^{23}\)

A second line of precedent grants the federal courts jurisdiction over cases presenting state law claims in which a federal issue is a necessary element. In *Smith v. Kansas City Title & Trust Co.*, a shareholder sued to enjoin a corporation from purchasing bonds issued under the authority of a federal statute that plaintiff claimed was unconstitutional.\(^{24}\) The

---

19. 211 U.S. 149 (1908).
20. A complete treatment of the well-pleaded complaint rule's development is beyond the scope of this Article. The following discussion is intended to provide an overview of the current principles and policies that underlie determinations of federal question jurisdiction. For more complete analyses, see 13B WRIGHT, MILLER & COOPER, supra note 12, §§ 3562-3566 (2d ed. 1984 & Supp. 1992), Doernberg, supra note 11, at 611-26, Hornstein, supra note 12, at 602-13, and Twitchell, supra note 11, at 817-21.
22. Id. at 152.
23. See id. at 152-53.
Supreme Court concluded that the district court had jurisdiction, reasoning:

The general rule is that where it appears from the bill or statement of the plaintiff that the right to relief depends upon the construction or application of the Constitution or laws of the United States, and that such federal claim is not merely colorable, and rests upon a reasonable foundation, the District Court has jurisdiction under [the federal question] provision. 25

Since the plaintiff's claim implicated the constitutionality of a federal statute, the Court determined that federal question jurisdiction arose from the necessity of construing the Constitution and the statute. 26

The Supreme Court reviewed these two bases for federal question jurisdiction in *Franchise Tax Board v. Construction Laborers Vacation Trust.* 27 There the Court held that no federal question jurisdiction existed over a suit brought by a state agency to enforce state tax laws, even though the state sought a declaratory judgment that its claim was not preempted by federal law. 28 After the state sued in state court to collect unpaid state taxes and for a declaration that the federal Employee Retirement Income Security Act of 1974 (ERISA) 29 did not preempt the action, the defendant, a trust established to administer the vacation provisions of a collective bargaining agreement, removed the case to federal district court, 30 which ruled for the state on the merits. The Ninth

---

25. *Id.* at 199.
26. *Id.* at 202. Justice Holmes dissented from this jurisdictional holding, reasoning that the plaintiff shareholder's claim against the directors was based on state corporate law rather than federal law:

The mere adoption by a state law of a United States law as a criterion or test, when the law of the United States has no force *proprio vigore*, does not cause a case under the state law to be also a case under the law of the United States . . . .

*Id.* at 215 (Holmes, J., dissenting). Justice Holmes's view has not prevailed. If the resolution of a state law claim requires the court to construe a federal law that allows a private right of action, federal question jurisdiction exists over the matter. See *infra* notes 27-57 and accompanying text.

28. *Id.* at 28.

Except as otherwise expressly provided by Act of Congress, any civil action brought in a State court of which the district courts of the United States have original jurisdiction, may be removed by the defendant or the defendants, to the district court of the United States for the district and division embracing the place where such action is pending.

28 U.S.C. § 1441(a). In order for a case to be removable under section 1441, therefore, it must be one that the plaintiff could have initiated in federal court. It was once well settled that a
Circuit then reversed without addressing the jurisdictional issue, and the state appealed to the Supreme Court, arguing that the case had been improperly removed because there was no basis for federal jurisdiction.

The Supreme Court unanimously concluded that the federal courts lacked jurisdiction. While recognizing that "the statutory phrase 'arising under the Constitution, laws, or treaties of the United States' has resisted all attempts to frame a single, precise definition for determining which cases fall within, and which cases fall outside, the original jurisdiction of the district courts," the Court relied on the well-pleaded complaint rule to determine that the plaintiff's claim did not arise under federal law:

[A] federal court does not have original jurisdiction over a case in which the complaint presents a state-law cause of action, but also asserts that federal law deprives the defendant of a defense he may raise, or that a federal defense the defendant may raise is not sufficient to defeat the claim.

The Court acknowledged that this rule "may produce awkward results, especially in cases in which ... the only question for decision is raised by a federal pre-emption defense," but nevertheless held that the well-pleaded complaint rule correctly mandated those results. Thus, even in those cases that present only a federal preemption question, there is no federal question jurisdiction unless the plaintiff's claim itself arises under federal law.

The Court then carefully analyzed the true nature of the plaintiff's claims and found that they arose under state, not federal, law. The federal court could exercise removal jurisdiction under this statute only upon finding that the state court from which the case was removed had jurisdiction over the subject matter and the parties. See, e.g., Lambert Run Coal Co. v. Baltimore & O.R.R., 258 U.S. 377, 382 (1922) ("The jurisdiction of the federal court on removal is, in a limited sense, a derivative jurisdiction. If the state court lacks jurisdiction of the subject-matter or of the parties, the federal court acquires none, although it might in a like suit originally brought there have had jurisdiction."); see also Freeman v. Bee Mach. Co., 319 U.S. 448, 452 (1943). Congress eliminated this inefficient rule in 1986 by amending section 1441 to include subsection (e), which provides: "The court to which such civil action is removed is not precluded from hearing and determining any claim in such civil action because the State court from which such civil action is removed did not have jurisdiction over that claim." 28 U.S.C. § 1441(e) (added by Act of June 19, 1986, Pub. L. No. 99-336, § 3(a), 100 Stat. 633, 637).

31. Franchise Tax Bd. v. Construction Laborers Vacation Trust, 679 F.2d 1307 (9th Cir. 1982), vacated, 463 U.S. 1 (1983). Judge Tang argued in dissent that there was no federal subject matter jurisdiction to support removal to the district court. Id. at 1309 (Tang, J., dissenting).

32. See Franchise Tax Bd., 463 U.S. at 4-7.

33. Id. at 8.

34. Id. at 10 (citations omitted).

35. Id. at 12.

36. See id. at 13-14.

37. The Court concluded that neither the plaintiff's underlying tax enforcement claim nor
Court commented that it decided these matters with "an eye to practicality and necessity".\textsuperscript{38}

The situation presented by a State's suit for a declaration of the validity of state law is sufficiently removed from the spirit of necessity and careful limitation of district court jurisdiction that informed our statutory interpretation [of the Declaratory Judgment Act] to convince us that, until Congress informs us otherwise, such a suit is not within the original jurisdiction of the United States district courts.\textsuperscript{39}

Thus, one cannot invoke federal jurisdiction simply by seeking a declaratory judgment on a question of federal law, even when the question is whether that federal law preempts the state law action.\textsuperscript{40}

its declaratory judgment count arose under federal law. The plaintiff expressly brought claims under state statutes—the first under the state tax code and the second under the state declaratory judgment act. The Court saw the first claim as a straightforward state tax law matter and nothing else. \textit{Id.} at 13. Although it found the declaratory judgment count more difficult to characterize, the Court refused to treat it as arising under federal law. \textit{Id.} at 14. The Court decided that a state declaratory judgment action that implicated federal issues could serve as the basis for federal court jurisdiction only if that same action could have been brought under the federal Declaratory Judgment Act of 1934, ch. 512, 48 Stat. 955 (codified as amended at 28 U.S.C. §§ 2201-2202 (1988)). \textit{Franchise Tax Bd.}, 463 U.S. at 18-19. Applying this new rule, the Court considered its own precedent in \textit{Skelly Oil Co. v. Phillips Petroleum Co.}, 339 U.S. 667 (1950). The \textit{Skelly} Court had ruled that the Declaratory Judgment Act did not provide jurisdiction over cases in which the federal question arose only in a defense to the underlying state law claim. \textit{Id.} at 672-74; see also Mann, \textit{supra} note 11, at 899-901. Rather than follow \textit{Skelly}, the \textit{Franchise Tax Board} Court decided that federal jurisdiction would exist under the federal Declaratory Judgment Act only upon a finding that the declaratory action defendant could have brought an action for coercive relief on the basis of federal law. \textit{See} 463 U.S. at 19. The hypothetical coercive action at issue there, a suit based on ERISA to enjoin the collection of state taxes, clearly would have been a federal cause of action that the defendants might have brought in federal court. \textit{See id.} at 19-20. In spite of this, the Court concluded that the plaintiff's declaratory judgment action did not arise under federal law because Congress had not required that coercive actions against such hypothetical defendants be brought in federal court and thus had not so completely preempted the law with respect to trusts created under ERISA as to justify taking the case out of the state courts. \textit{See id.} at 21-22, 25; see also Mann, \textit{supra} note 11, at 906-08.

38. \textit{Franchise Tax Bd.}, 463 U.S. at 20.


40. The Court recognized, however, that removal to federal court would be appropriate in some cases in which federal law completely preempted the state law's field of operation. \textit{Id.} at 23-24. In criticizing the \textit{Franchise Tax Board} decision, Professor Mary Twitchell described the necessary intertwining of determinations of arising under jurisdiction and federal preemption defenses: since both require some substantive analysis of the complaint's nature, it is often difficult if not impossible to decide the jurisdictional issue without also deciding the preemption question. \textit{See Twitchell, supra} note 11, at 851-52. She argued that federal courts should take jurisdiction over removed cases to perform a full substantive analysis of the preemption issue whenever an express federal cause of action corresponds to the plaintiff's claim and there is a reasonable possibility that the former would preempt the latter. \textit{See id.} at 857-69; see also Segreti, \textit{supra} note 11, at 546-58 (arguing that federal preemption implicates constitutional concerns relating to the Supremacy Clause and should therefore be determined by federal courts).
Although the Court might have based its result in *Franchise Tax Board* on this analysis alone, it also recognized that federal jurisdiction exists when "it appears that some substantial, disputed question of federal law is a necessary element of one of the well-pleaded state claims."41 In other words, the Court reaffirmed the second basis for federal question jurisdiction—that which it first identified in *Smith v. Kansas City Title & Trust Co.*42

In *Merrell Dow Pharmaceuticals, Inc. v. Thompson*,43 the Court discussed this second basis in greater depth. The plaintiffs in *Merrell Dow*, who had ingested the drug Bendectin while pregnant, brought actions in state court against the manufacturer alleging that the drug caused their children to have birth defects.44 Among other things, the plaintiffs claimed that the defendant's alleged failure to comply with labeling requirements imposed by the Federal Food, Drug, and Cosmetic Act (FDCA)45 created a rebuttable presumption of negligence under state law.46 The defendant removed the case to federal district court, which denied plaintiff's motion for remand. The Sixth Circuit reversed, however, holding that the case did not fall within federal question jurisdiction. The Supreme Court agreed.47

The Court first discussed the well-pleaded complaint rule and its interpretation of that rule in *Franchise Tax Board*.48 After observing that federal law did not create any of the claims asserted in the complaint, the Court went on to consider whether "the vindication of a right under state law necessarily turned on some construction of federal law."49 It reasoned that allowing a private remedy in federal court for violations of the FDCA would run counter to Congress's intent in enacting that statute because, as the parties had agreed, the FDCA provided no express or implied private right of action for violations of its terms. As the Court stated:

We think it would similarly flout, or at least undermine, congressional intent to conclude that the federal courts might nevertheless exercise federal-question jurisdiction and provide remedies for violations of that federal statute solely because the violation of the federal statute is said

42. 255 U.S. 180 (1921); see supra text accompanying notes 24-26.
43. 478 U.S. 804 (1986).
44. *Id.* at 805.
47. *Id.* at 806-07.
48. *See id.* at 807-08.
49. *Id.* at 808-09 (quoting *Franchise Tax Bd.*, 463 U.S. at 9).
to be a "rebuttable presumption" or a "proximate cause" under state law, rather than a federal action under federal law.\footnote{50}

Rejecting the defendant's argument that the plaintiff's reliance on federal law as an element of one of its state law claims presented a substantial federal question, the Court explained that Congress's "determination that there should be no federal remedy for the violation of this federal statute is tantamount to a congressional conclusion that the presence of a claimed violation of the statute as an element of a state cause of action is insufficiently 'substantial' to confer federal-question jurisdiction."\footnote{51}

Thus, the Court held that there must be a sufficient level of substantiality to the federal element in the state law claim in order to establish federal question jurisdiction over a case, and it tested that substantiality by whether Congress had created a private right of action, either expressly or implicitly, for violations of the relevant federal law.

Justice Brennan, who had authored the \textit{Franchise Tax Board} opinion, dissented in \textit{Merrell Dow}. Rejecting the majority's conclusion that the federal issue was insufficiently substantial, Justice Brennan, joined by Justices White, Marshall, and Blackmun, would have found a federal question to arise from the need to construe a federal statute as an element of the plaintiff's case.\footnote{52} He emphasized federal question jurisdiction's purpose to ensure uniformity in the construction of the federal laws.\footnote{53}

When federal law becomes an element of a state claim, he reasoned, that federal law must be interpreted so that individuals can comply with its terms in order to avoid liability under state law.\footnote{54} Justice Brennan concluded:

\begin{quote}
[T]he possibility that the federal law will be incorrectly interpreted in the context of adjudicating the state-law claim implicates the concerns that led Congress to grant the district courts power to adjudicate cases involving federal questions in precisely the same way as if it was federal-law that "created" the action.\footnote{55}
\end{quote}

Justice Brennan thus took a broader view than the majority. Although he apparently would not find federal question jurisdiction to arise either from a defense anticipated in the complaint or from a prayer for a declaratory judgment that federal law does not preempt a state law claim, he would find it when the plaintiff's underlying claim necessitates construction of a federal law. The majority, on the other hand, would limit that

\begin{footnotes}
\footnotetext{50}{Id. at 812.}
\footnotetext{51}{Id. at 814.}
\footnotetext{52}{Id. at 824 (Brennan, J., dissenting).}
\footnotetext{53}{Id. at 826 (Brennan, J., dissenting).}
\footnotetext{54}{Id. at 828 (Brennan, J., dissenting).}
\footnotetext{55}{Id. (Brennan, J., dissenting).}
\end{footnotes}
jurisdiction to cases in which the federal question raised by the state law claim meets a higher standard of substantiability.

Thus, in *Franchise Tax Board* and *Merrell Dow*, the Supreme Court reaffirmed the two traditional bases for federal question jurisdiction: A case arises under the laws of the United States when the court finds from the face of the plaintiff's well-pleaded complaint (1) that the claim is expressly or implicitly created by federal law, or (2) that a violation of federal law considered sufficiently substantial to justify federal jurisdiction forms a necessary element of the plaintiff's state claim.56 Furthermore, in both cases the Court seemed willing to go beyond the face of the complaint to determine the true nature of the plaintiff's claims.57

56. Many commentators have criticized the well-pleaded complaint rule and the Supreme Court's application of it in *Franchise Tax Board* and *Merrell Dow*. Professor Donald Doernberg, for example, argued that the rule ignores the underlying purposes of federal question jurisdiction: to ensure consistent interpretation of federal law and avoid any effects of state court hostility to federal law. Denying federal courts the power to decide federal issues that are raised by way of defense, he reasoned, undermines these goals by forcing the various state court systems to resolve these federal concerns. See Doernberg, *supra* note 11, at 646-63. For other criticisms, see Cohen, *supra* note 11, at 895-916, Hornstein, *supra* note 12, at 606-13, Segreti, *supra* note 11, at 544-54, and Twitchell, *supra* note 11, at 818-34, 846-54. The application of this rule to cases arguably implicating issues of copyright law raises similar problems. See infra notes 204-205 and accompanying text.

57. The Court has struggled over the proper analytical approach to determining when a plaintiff's claim arises under federal law. In some cases, the Court literally looked only at the face of the complaint, while in others it delved deeper into the nature of the claim to see if it was essentially federal. For example, in *Pan American Petroleum Corp. v. Superior Court*, 366 U.S. 656 (1961), the Court followed a formalistic rather than a functional analysis. The plaintiff in that case sued in state court to secure a refund of overpayments for natural gas supplied to plaintiff by the defendant gas company pursuant to a contract between the parties. The defendant claimed that the state court lacked jurisdiction because the case arose under the federal Natural Gas Act, 15 U.S.C. §§ 717-717w (1958), which granted the federal courts exclusive jurisdiction over matters involving the rates for supplying natural gas. *Pan Am. Petroleum*, 366 U.S. at 657. The Supreme Court unanimously concluded that because the plaintiff's complaint was explicitly based on state common law, the state court was not divested of jurisdiction, even though plaintiff's claim involved natural gas rates that were subject to federal control. *Id.* at 662-63. The Court reasoned:

> [Q]uestions of exclusive federal jurisdiction and ouster of jurisdiction of state courts, are under existing jurisdictional legislation, not determined by ultimate substantive issues of federal law. The answers depend on the particular claims a suitor makes in a state court—on how he casts his action. . . .
> 
> . . . It is settled doctrine that a case is not cognizable in a federal trial court . . . unless it appears from the face of the complaint that determination of the suit depends on a question of federal law. *Id.* (emphasis added); *see also* Gully v. First Nat'l Bank, 299 U.S. 109, 112-13 (1936) ("To bring a case within the [removal] statute, a right or immunity created by the Constitution or the laws of the United States must be an element, and an essential one, of the plaintiff's cause of action . . . and the controversy must be disclosed upon the face of the complaint, unaided by the answer or the petition for removal." (emphasis added)).

By contrast, in *Avco Corp. v. Aero Lodge No. 735*, 390 U.S. 557 (1968), the Supreme
B. Patent Jurisdiction

Title 28, section 1338(a) of the United States Code gives the district courts original and exclusive jurisdiction over matters arising under the copyright and patent laws.\(^\text{58}\) Today section 1338(a) is in some ways superfluous,\(^\text{59}\) given that a claim arising under any act of Congress falls within the jurisdictional scope of section 1331 as an action arising under federal law.\(^\text{60}\) Significantly, however, Congress had expressly granted the federal courts jurisdiction over patent matters as early as 1793\(^\text{61}\) and had extended jurisdiction to cover copyright matters by 1819,\(^\text{62}\) but did not

---


59. Section 1338(a) is not superfluous, however, to the extent that it provides for exclusive federal jurisdiction, which section 1331 does not.

60. See supra note 11; Christianson v. Colt Indus. Operating Corp., 798 F.2d 1051, 1058 n.9 (7th Cir. 1986), modified, 822 F.2d 1544 (Fed. Cir. 1987), vacated, 486 U.S. 800 (1988).


62. Section 1338 followed earlier acts of Congress that granted the federal district courts original and then exclusive jurisdiction over copyright matters. Prior to 1819, the copyright statutes allowed actions for copyright infringement to be brought "in any court having cognizance thereof," Act of May 31, 1790, ch. 15, § 6, 1 Stat. 124, 125-26, or "in any court having competent jurisdiction thereof," Act of Apr. 29, 1802, ch. 36, § 2, 2 Stat. 171, 171-72. In 1819, Congress provided that the Circuit Courts of the United States were to have "original cognizance, as well in equity as at law, of all actions, suits, controversies, and cases, arising under any law of the United States, granting or confirming to authors or inventors the exclusive right to their respective writings, inventions, and discoveries." Act of Feb. 15, 1819, ch.
authorize general federal question jurisdiction until it passed the Judiciary Act of 1875. Thus, Congress recognized a need for federal courts to decide matters of patent and copyright law long before it supported federal court interpretation of federal laws in general.

Although section 1338(a) and its predecessors have a long history, the Supreme Court has never addressed the application of these jurisdictional statutes to copyright matters; it has on several occasions, however, interpreted their application to patent matters. A review of some of the Court's leading cases in this area shows that it has relied on many of the same principles to define patent jurisdiction in the context of section 1338(a) and its predecessors as it has to determine general federal question jurisdiction.

The Court first faced an issue related to patent jurisdiction in Wilson v. Sandford. In Wilson the Court considered not original jurisdiction, but section 17 of the Act of 1836, which provided a right of appeal to the Supreme Court in matters arising under any federal law "granting or confirming to inventors the exclusive right to their inventions or discoveries." The plaintiff claimed that the defendant had lost its rights to use a patented invention under a license agreement by reason of its alleged failure to comply with the agreement's payment terms. The Court decided that the claim neither arose under any federal law nor depended for its decision "upon the construction of any law in relation to patents." Rather, it viewed the dispute as growing out of the parties' contract: "The rights of the parties depend altogether upon common law and equity principles." The Court accordingly concluded that it was

19, 3 Stat. 481, 481. In 1873, the second edition of the Revised Statutes provided explicitly that such jurisdiction was to be exclusive of the courts of the states. Rev. Stat. § 711 para. 5 (1878) (codifying Act of July 8, 1870, ch. 230, §§ 55, 58, 106, 16 Stat. 198, 206, 207, 215, which provided only for original jurisdiction over patent and copyright matters in federal court). Congress again provided for such exclusive jurisdiction by Act of Mar. 3, 1911, ch. 231, § 256 para. 5, 36 Stat. 1087, 1160 (codified as amended at 28 U.S.C. § 1338(a) (1988)).

63. Ch. 137, § 1, 18 Stat. 470, 470. As Justice Brennan observed in Merrell Dow, "In the early days of our Republic, Congress was content to leave the task of interpreting and applying federal laws in the first instance to the state courts . . . ." 478 U.S. 804, 826 (1986) (Brennan, J., dissenting). Although Congress had once before established general federal question jurisdiction, in the "Midnight Judges Act," Act of Feb. 13, 1801, ch. 4, § 11, 2 Stat. 89, 92, that statute was repealed the following year by Act of Mar. 8, 1802, ch. 8, § 1, 2 Stat. 132, 132. For more on the history of federal question jurisdiction, see Doernberg, supra note 11, at 601-07, Mishkin, supra note 11, at 157, Segreti, supra note 11, at 539-42, and Mann, supra note 11, at 896-97.

64. 51 U.S. (10 How.) 99 (1850).
67. Id. at 101.
68. Id. at 102.
without jurisdiction to hear the appeal.\textsuperscript{69} \textit{Wilson} stands for the principle that not every case that concerns a patent—or by analogy, a copyright—is within the jurisdiction of the federal courts. If the case involves first and foremost a claim based on a contract, the mere fact that the contract concerns some patented or copyrighted matter does not establish federal jurisdiction over the dispute.

Nevertheless, the Court decided in \textit{The Fair v. Kohler Die \& Specialty Co.}\textsuperscript{70} that a claim would arise under the patent laws if the plaintiff could frame it as such, notwithstanding that the underlying dispute between the parties was arguably in the nature of contract. The plaintiff in \textit{The Fair} had sold its patented devices to a jobber on the condition that they be retailed for at least one dollar and fifty cents. The defendants, after buying the devices from the jobber with notice of this condition, resold them for less than that amount. The plaintiff alleged that the defendants had thereby infringed its exclusive rights under the patent laws. The defendants responded that the federal courts had no jurisdiction over the matter because the patent laws did not give patent owners the right to impose such price restrictions.\textsuperscript{71}

Justice Holmes, writing for a unanimous Court, found jurisdiction to exist because "the plaintiff sued upon the patent law, so far as the purport and intent of the bill is concerned. . . . [I]t charged an infringement of its patent rights in general terms, and it sought triple damages, which it could have done only by virtue of the statute."\textsuperscript{72} The Court focused on the plaintiff's pleadings and the nature of the relief sought to determine whether the claim arose under the patent laws. As Justice Holmes reasoned:

\begin{quote}
Of course the party who brings a suit is master to decide what law he will rely upon, and therefore does determine whether he will bring a "suit arising under" the patent or other law of the United States by his declaration or bill. That question cannot depend upon the answer, and accordingly jurisdiction cannot be conferred by the defense, even when anticipated and replied to in the bill. Conversely, when the plaintiff bases his cause of action upon an act of Congress, jurisdiction cannot be defeated by a plea denying the merits of the claim.\textsuperscript{73}
\end{quote}

Thus, even though the plaintiff's claim was based primarily on the plaintiff's private arrangement with the jobber and, through the jobber, the defendants,\textsuperscript{74} the Court treated it as a patent claim because the plaintiff

\begin{itemize}
\item[\textsuperscript{69}] \textit{Id.}
\item[\textsuperscript{70}] 228 U.S. 22 (1913).
\item[\textsuperscript{71}] \textit{Id.} at 23-24.
\item[\textsuperscript{72}] \textit{Id.} at 24.
\item[\textsuperscript{73}] \textit{Id.} at 25 (citation omitted).
\item[\textsuperscript{74}] The plaintiff's lack of privity with the defendants would have defeated any claim
had alleged patent infringement rather than breach of contract in its complaint. The Court did not consider the merits of the claim relevant to the determination of jurisdiction.

The Court reemphasized the role of the plaintiff's pleading in defining the nature of the dispute three years later in American Well Works Co. v. Layne & Bowler Co. The plaintiff in that case brought suit in state court for libel and injury to its business, claiming that the defendant had falsely and maliciously accused it of violating the defendant's patents in a pump and certain related parts. The defendant removed the case to federal court on the theory that it arose under the patent laws and the state court therefore had no jurisdiction.
The Supreme Court disagreed. Justice Holmes, again writing for
the Court, held that "[a] suit for damages to business caused by a threat
to sue under the patent law is not itself a suit under the patent law."79
Holmes reasoned that "[a] suit arises under the law that creates the cause
of action. The fact that the justification may involve the validity and
infringement of a patent is no more material to the question under what
law the suit is brought than it would be in an action of contract."80 Here
the Court again focused on the complaint to determine whether the suit
arose under the patent laws; defenses raised by the answer could not vest
a federal court with jurisdiction, even if they required the court to inter-
pret the validity of a patent. In Wilson, The Fair, and American Well
Works, therefore, the Court decided whether the case arose under the
patent laws by applying the well-pleaded complaint rule—looking only at
the surface and form of the complaint.

The facts that the Court faced in Luckett v. Delpark, Inc.,81 how-
ever, revealed one of the problems with this approach: What to do when
the plaintiff alleges both contract and patent claims? The plaintiff in
Luckett, who owned patents for the manufacture of union suits, had
granted licenses to the defendants to use those patents in exchange for
royalties and the defendants' promise to promote the sale of the garments
manufactured pursuant to the patents.82 The plaintiff's federal suit al-
leged that the defendants had violated the licenses on all counts, and
further that the defendants had infringed on the plaintiff's patent rights
by continuing to manufacture the suits after breaching the contract. In
its prayer for relief, the plaintiff requested not only damages and the roy-
alties due under the license agreement; it also asked for an injunction to
prevent future manufacture and sales of its patented garments by the de-
fendants and a reassignment to it of all rights to the patented invention.83

Relying heavily on Wilson v. Sandford, the Court ruled that the dis-
trict court properly granted the defendants' motion to dismiss for lack of
subject matter jurisdiction.84 Observing that the "main and declared
purpose" of the complaint was "to enforce the rights of the plaintiff
under his contracts with defendants," the Court held that

a suit by a patentee for royalties under a license or assignment granted
by him, or for any remedy in respect of a contract permitting use of the

79. Id. at 259.
80. Id. at 260.
81. 270 U.S. 496 (1926).
82. Id. at 500.
83. Id. at 500-02.
84. Id. at 511.
After reviewing the plaintiff’s argument that intervening precedents had narrowed the scope of Wilson, the Court articulated a standard for determining whether a case arises under the patent laws:

If in [Wilson] the patentee complainant had based his action on his patent right and had sued for infringement, and by anticipation of a defense of the assignment had alleged a forfeiture by his own declaration without seeking aid of the court, jurisdiction under the patent laws would have attached, and he would have had to meet the claim by the defendant that forfeiture of the license or assignment and restoration of title could not be had except by a decree of a court . . . . But when the patentee exercises his choice and bases his action on the contract and seeks remedies thereunder, he may not give the case a double aspect, so to speak, and make it a patent case conditioned on his securing equitable relief as to the contract.

Thus, even though the plaintiff’s complaint specifically alleged patent infringement, the Court treated the claim as based on contract and not arising under the patent laws. In effect, the Court diluted the notion that the party that brings the suit is the “master to decide what law he will rely upon” by disregarding the plaintiff’s explicit reliance on the patent laws. The Court regarded the plaintiff’s inclusion of the contract claim as an election to waive any claim under the patent laws.

Although the lower courts have frequently construed Luckett, the Supreme Court did not return to the question of patent jurisdiction until

---

85. Id. at 502.
86. The Luckett Court distinguished Geneva Furniture Manufacturing Co. v. Karpen & Bros., 238 U.S. 254 (1915), Healy v. Seagull Specialty Co., 237 U.S. 479 (1915), The Fair v. Kohler Die & Specialty Co., 228 U.S. 22 (1913), Henry v. A.B. Dick Co., 224 U.S. 1 (1912), Excelsior Wooden Pipe Co. v. Pacific Bridge Co., 185 U.S. 282 (1902), and White v. Rankin, 144 U.S. 628 (1892), noting that in each of those cases the plaintiffs had alleged facts regarding a license only in anticipation of the defendant’s use of such license in defense, but had not included claims based on the license agreement per se. Luckett, 270 U.S. at 504-11.
87. Luckett, 270 U.S. at 511. As applied to patent cases in which the claims involve the terms of an assignment or license, Professor Donald Chisum described the Luckett standard as “Pledger’s Choice.” See Chisum, supra note 61, at 645-48. He concluded that regardless of how the case is pleaded, “the actual litigation will take the same shape. In either the state or the federal litigation the primary issue will be the licensor’s breach.” Id. at 647. Professor Chisum also argued, however, that cases presenting issues of patent validity or patent infringement should be considered within the jurisdiction of the federal courts as “arising under” the patent laws. Id. at 658-66.
88. The Fair, 228 U.S. at 24, quoted supra text accompanying note 73.
89. For example, in Ausherman v. Stump, 643 F.2d 715 (10th Cir. 1981), the court relied on Luckett in concluding that the plaintiff’s complaint, which alleged fraud, contract, and patent infringement claims, did not arise under the patent laws. Id. at 718. Similarly, the court in Laning v. National Ribbon & Carbon Paper Manufacturing Co., 125 F.2d 565 (7th Cir. 1942), found a complaint that asked for determinations both of title and of patent infringement not to arise under the patent laws. Citing Luckett, the court reasoned: “If . . . the action
1988, when it decided Christianson v. Colt Industries Operating Corp. Christianson's long history began when a former employee of Colt, the leading manufacturer and seller of M16 rifles, set about competing with Colt in sales of M16s. Colt sued Christianson and others in federal court for allegedly infringing patents used in manufacturing the rifles, but later voluntarily dismissed its claims.

Christianson then sued Colt in federal court, claiming violations of the antitrust laws and tortious interference with business relations. According to Christianson's pleadings, Colt falsely told its customers that Christianson had stolen its trade secrets, and by this and other methods had driven Christianson out of the rifle business. Colt's patents were invalid for failure to comply with certain requirements of the patent statute, Christianson argued, and by taking advantage of these invalid patents, Colt had lost any claim to trade secret protection under state law. Under this theory, Christianson could not have violated any of Colt's trade secrets, and Colt's representations to that effect were therefore false.

is one in which the plaintiff asks affirmative relief as a basis for his right to relief for infringement, then the action is not one arising under the patent laws." Id. at 566; see also Air Prods. & Chems. v. Reichhold Chems., 755 F.2d 1559, 1561-63 (Fed. Cir.) (finding case arose under patent laws based on Luckett, noting that "the court must focus on the facts plead, and the relief requested, by the plaintiff in the complaint," whereas the district court erred by "characterizing issues as primary or secondary"), cert. dismissed, 473 U.S. 929 (1985); cf. Koratron Co. v. Deering Milliken, Inc., 418 F.2d 1314, 1317-18 (9th Cir. 1969) (holding based in part on Luckett that claim did not arise under patent laws because even though plaintiff could have framed it in patent terms, plaintiff chose to plead the case as a common-law action, "strained out all patent infringement language from its pleading," and did not seek relief provided by the patent laws), cert. denied, 398 U.S. 909 (1970). Numerous other courts have applied Luckett. See, e.g., Clausen Co. v. Dynatron/Bondo Corp., 889 F.2d 459, 465 (3d Cir. 1989) (denying patent jurisdiction based on Luckett), cert. denied, 110 S. Ct. 2174 (1990); Boggild v. Kenner Prods., 853 F.2d 465, 468 n.5 (6th Cir. 1988) (noting Luckett's conclusion that contract disputes involving patents do not arise under the patent laws).

Other courts, however, have ignored these distinctions. See, e.g., McKnight v. Akins, 192 F.2d 674 (6th Cir. 1951) (finding patent jurisdiction when plaintiff alleged two counts, one for breach of contract and the other for infringement resulting from that breach); Research Frontiers Inc. v. Marks Polarized Corp., 290 F. Supp. 725 (E.D.N.Y. 1968) (holding licensee's suit against patent owner for breach of exclusive license agreement to be a claim for patent infringement and within federal patent jurisdiction); International Harvester Co. v. Long Mfg. Co., 235 F. Supp. 223 (E.D.N.C. 1964) (finding exclusively federal patent jurisdiction over plaintiff's claim that defendant failed to pay royalties required by license agreement because the claim required court to determine whether defendant had infringed patent before deciding whether royalty obligation existed). For a general discussion of subject matter jurisdiction in patent litigation, see 6 DONALD S. CHISUM, PATENTS § 21.02[1] (1991).

91. Id. at 804-05.
92. Id. at 805.
93. Id. at 806.
Agreeing with this chain of reasoning, the district court entered judgment for Christianson.94 In reaching its conclusion, the district court declared nine of Colt's patents invalid.95 It took jurisdiction over the matter, however, based on the diversity jurisdiction statute96 and the antitrust statutes,97 not section 1338(a).98

Colt appealed to the Court of Appeals for the Federal Circuit on the basis of 28 U.S.C. § 1295(a)(1), which gives that circuit "exclusive jurisdiction . . . of an appeal from a final decision of a district court . . . if the jurisdiction of that court was based, in whole or in part, on section 1338."99 Since the underlying case arose in part under the patent laws, Colt argued, the district court's jurisdiction had been based on section 1338, and section 1295(a)(1) therefore vested exclusive jurisdiction over the appeal in the Federal Circuit. Christianson moved for a transfer of the appeal pursuant to 28 U.S.C. § 1631,100 arguing that the case did not arise under the patent laws. The Federal Circuit granted Christianson's motion in an unpublished order and transferred the appeal to the Seventh Circuit.101

The Seventh Circuit, however, agreed with Colt that the case arose under the patent laws. Evaluating Colt's defense as to the truth of its statements about the plaintiff, the Seventh Circuit reasoned, would require it to determine the validity of Colt's trade secrets, which in turn would force it to consider the validity of Colt's patents and thus to apply

95. Id. at 331.
97. See 15 U.S.C. § 4 (1988) ("The several district courts of the United States are invested with jurisdiction to prevent and restrain violations of sections 1 to 7 of this title . . . ."); id. § 15(a) ("[A]ny person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides . . . ."); id. § 26 (providing for injunctive relief in such cases).
98. See Christianson, 613 F. Supp. at 331.
99. 28 U.S.C. § 1295(a)(1) (1988). This grant of exclusive jurisdiction to the Federal Circuit only applies, however, to appeals of cases invoking the patent or plant-variety protection laws; it has no effect on appeals of cases arising only under the copyright or trademark laws. See id.
100. This section provides in pertinent part:
Whenever . . . an appeal . . . is noticed for or filed with [a court of appeals] and that court finds that there is a want of jurisdiction, the court shall, if it is in the interest of justice, transfer such . . . appeal to any other such court in which the . . . appeal could have been brought at the time it was filed or noticed . . . .
and interpret the patent laws.\textsuperscript{102} The Seventh Circuit accordingly transferred the case back to the Federal Circuit.

The Federal Circuit still viewed the case as not arising under the patent laws, because Christianson did not base his claims on the patent laws and could only raise patent issues in response to or anticipation of Colt's possible defenses.\textsuperscript{103} A case in which patent issues appear only in response to a defense, the court reasoned, is not a case that "arises under" the patent laws.\textsuperscript{104} Even though the Federal Circuit believed itself without jurisdiction to hear the appeal, "the interest of justice" led it to decide the case on the merits, reversing the district court's judgment for Christianson.\textsuperscript{105} Christianson then appealed to the Supreme Court.

The Supreme Court decided that the case did not arise under the patent laws and that the Federal Circuit consequently had no jurisdiction over the appeal.\textsuperscript{106} After recognizing the necessary relationship between cases construing section 1338 and those construing section 1331's general federal question jurisdiction, Justice Brennan reasoned for the majority\textsuperscript{107} that the Court's rulings in \textit{Franchise Tax Board} and \textit{Merrell Dow} applied to the case before it:

Linguistic consistency . . . demands that section 1338(a) jurisdiction likewise extend only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a

\textsuperscript{102} Id. at 1061-62. The court observed that Congress granted the Federal Circuit exclusive appellate jurisdiction over patent cases in order "to provide greater uniformity in the substantive law of patents and to prevent the inevitable forum shopping that results from conflicting patent decisions in the regional circuits." Id. at 1058. The court also noted that such appellate jurisdiction required only a finding that the lower court could have exercised its original jurisdiction based in part on section 1338, even if other jurisdictional bases also existed. Id. at 1058 n.9. Although \textit{Christianson} primarily addresses appellate jurisdiction based on 28 U.S.C. § 1295(a)(1), its analysis of that section amounts to an interpretation of section 1338(a) because appellate jurisdiction under section 1295(a)(1) turns on a finding as to whether the district court could have based its original jurisdiction on section 1338(a)(1).


\textsuperscript{104} Id. at 1552-53. The Federal Circuit agreed with the Seventh Circuit that as long as jurisdiction could have been based in part on section 1338(a), the presence of other bases for jurisdiction would not defeat its exclusive appellate jurisdiction. See id. at 1551 n.8, 1553. The Federal Circuit also agreed that Congress had given it exclusive jurisdiction over patent appeals in order to promote consistent interpretation of the patent laws, but it did not share the Seventh Circuit's willingness to treat any issue or argument involving patents as sufficient to justify finding the case as a whole to arise under the patent laws. See id. at 1551-52.

\textsuperscript{105} Id. at 1560.

\textsuperscript{106} Christianson, 486 U.S. at 813, 819.

\textsuperscript{107} Justice Stevens wrote a concurring opinion, which Justice Blackmun joined. There were no dissents.
substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims.\textsuperscript{108}

Consistent with \textit{Franchise Tax Board} and \textit{Merrell Dow}, Justice Brennan then observed that it was not enough to anticipate a patent law defense in the complaint; rather, patent law had to either create the cause of action or comprise a necessary element of one of the claims pleaded by the plaintiff.\textsuperscript{109} Although he might have ended his analysis there, Justice Brennan went one step further and ruled that “a claim supported by alternative theories in the complaint may not form the basis for section 1338(a) jurisdiction unless the patent law is essential to each of those theories.”\textsuperscript{110} In other words, merely raising a patent issue would not establish federal jurisdiction over a case that could be decided without ever reaching that patent issue. As applied to \textit{Christianson}, in which the plaintiff could recover on antitrust or common-law tort claims without ever reaching the patent validity-trade secret theory, this new rule meant the case did not arise under the patent laws. Distinguishing between “theories” and “claims,” the Court reiterated that a patent issue is sufficient to vest the federal courts with exclusive jurisdiction under section 1338 only if it constitutes an essential element of a claim.\textsuperscript{111} Because none of Christianson’s claims met this standard, the Court transferred the case back to the Seventh Circuit for decision on the merits.\textsuperscript{112}

\textsuperscript{108} Christianson, 486 U.S. at 808-09. The Court thus implicitly rejected Professor Chisum’s suggestion that the courts construe “arising under the patent laws” more liberally for section 1331 than for purposes of section 1338(a), a construction that would allow federal courts to take jurisdiction under section 1331 in some cases raising patent issues without mandating that such jurisdiction be exclusively federal, as under section 1338(a). See Chisum, \textit{supra} note 61, at 670-71.

\textsuperscript{109} Christianson, 486 U.S. at 809-10. This reasoning complements the Court’s holding in \textit{Merrell Dow}. In \textit{Merrell Dow}, the Court denied jurisdiction because Congress had not provided any private remedy for violations of the federal law relied on by the plaintiff's state law claim. See \textit{supra} text accompanying notes 50-51. In Christianson, the Court did not have to decide whether patent law provided a private remedy because it concluded that the plaintiff’s claims did not require construction of patent law. 486 U.S. at 810. Patent law, however, clearly provides private remedies; thus if the complaint had made construction of the patent laws necessary, the Court presumably would have found federal jurisdiction to exist.

\textsuperscript{110} Christianson, 486 U.S. at 810 (emphasis added).

\textsuperscript{111} Id. at 812-13. Justice Brennan's \textit{Christianson} opinion can be reconciled with his \textit{Merrell Dow} dissent on the basis of this theory-claim distinction. In \textit{Merrell Dow}, Justice Brennan believed construction of the federal statute to be an essential element of the plaintiff's state tort claim because state law derived a rebuttable presumption of negligence from a violation of federal law; he rejected the majority’s conclusion that Congress's failure to create a private remedy for violations of that statute rendered the issue insubstantial. See 478 U.S. at 824, 831 (Brennan, J. dissenting). In Christianson, by contrast, Brennan reasoned that the plaintiff could recover on antitrust or tort claims without ever invoking the patent law as an essential element of either cause of action. See 486 U.S. at 810-13.

\textsuperscript{112} Christianson, 486 U.S. at 819. Adopting much of the Federal Circuit's analysis, the Seventh Circuit then decided that Colt's patents were valid and, just as the Federal Circuit had
In summary, by its *Christianson* decision, the Court reaffirmed the viability of the well-pleaded complaint rule and its collateral principles as applied to patent jurisdiction: patent jurisdiction exists only if patent law creates or is a necessary element of the action; federal jurisdiction cannot derive from a defense raised in the answer or anticipated in the complaint; and a mere theory of liability requiring construction or application of the patent laws does not establish patent jurisdiction, unless that patent law theory is an essential element of the plaintiff's state law claim. For all that, however, the Court left unclear how to determine whether a specific case in fact arises under the patent laws. For example, the *Christianson* Court did not address the implications of cases like *Luckett*, in which one of the plaintiff's claims explicitly invoked the patent laws, but the Court decided that the *case* did not arise under the patent laws because the plaintiff had also included a claim based on contract law.113

This type of problem continues to turn up in the copyright context. That is, when a plaintiff brings both contract and copyright infringement claims, how should the court determine whether the case arises under the copyright laws for purposes of section 1338(a)? How can one tell in such a case whether federal copyright law either creates the claim or amounts to a necessary and substantial element of the state law contract claim?

II. Cases on Copyright Jurisdiction

The most influential precedent specifically addressing when a case arises under the copyright laws is *T.B. Harms Co. v. Eliscu*.114 That case involved a conflict over the right to royalties from a musical composition. The plaintiff had obtained certain rights by assignment from the com-

---

113. See supra text accompanying notes 81-88.

114. 339 F.2d 823 (2d Cir. 1964), cert. denied, 381 U.S. 915 (1965). Two pre-Eliscu decisions from the Southern District of New York have also had considerable influence on other courts. In Cresci v. Music Publishers Holding Corp., 210 F. Supp. 253 (S.D.N.Y. 1962), the plaintiffs asked the court to invalidate their assignment of their rights to renew the copyrights to works written by their father, claiming that the defendant had procured the assignments by fraud and in breach of fiduciary duties owed them. Id. at 254-55. Notwithstanding the plaintiffs' argument that the need to determine the validity of the assignments implicated important copyright concerns, the court dismissed the case for lack of subject matter jurisdiction, reasoning: "Whether an action is one over which jurisdiction has been conferred on the federal courts by Congress must be determined from its nature and foundation and does not depend on the remote possibility that during its future course some question under the copyright laws may incidentally arise." Id. at 254-55. Notwithstanding the plaintiffs' argument that the need to determine the validity of the assignments implicated important copyright concerns, the court dismissed the case for lack of subject matter jurisdiction, reasoning: "Whether an action is one over which jurisdiction has been conferred on the federal courts by Congress must be determined from its nature and foundation and does not depend on the remote possibility that during its future course some question under the copyright laws may incidentally arise." Id. at 254-55; see also Muse v. Mellin, 212 F. Supp. 315, 318 (S.D.N.Y. 1962) ("The primary and controlling purpose of the complaint is to secure an interpretation of the various assignments of the one-third interest. Of such suits the federal courts lack jurisdiction."). aff'd, 339 F.2d 888 (2d Cir. 1964).
poser of the music; the defendant had coauthored the song’s lyrics. The dispute focused on whether the defendant had assigned his rights in the lyrics to the plaintiff for the renewal term. After the defendant brought a state court action for a declaration of his rights to royalties, the plaintiff filed suit in federal court on the basis of 28 U.S.C. § 1338(a), seeking equitable and declaratory relief. The district judge dismissed the complaint for lack of subject matter jurisdiction, and the Second Circuit affirmed in a panel opinion by Judge Henry Friendly.117

After observing that “a layman would doubtless be surprised to learn” that the case did not arise under the copyright laws, Judge Friendly noted that precedent in the federal question and patent jurisdiction areas had narrowly defined the scope of federal courts’ jurisdiction. He then outlined a test for whether a claim arises under the copyright laws:

Mindful of the hazards of formulation in this treacherous area, we think that an action “arises under” the Copyright Act if and only if the complaint is for a remedy expressly granted by the Act, . . . or asserts a claim requiring construction of the Act, . . . or, at the very least and perhaps more doubtfully, presents a case where a distinctive policy of the Act requires that federal principles control the disposition of the claim. The general interest that copyrights, like all other forms of property, should be enjoyed by their true owner is not enough to meet this last test.119

Judge Friendly’s criteria reflect the two principal bases for federal question jurisdiction. The first—where federal law creates the claim—appears in Judge Friendly’s recognition of copyright jurisdiction over claims seeking a remedy granted by the copyright statute. The second basis—where federal law is a necessary element of a state law claim—corresponds to the second and third prongs of Friendly’s test, which approve copyright jurisdiction over claims requiring construction of the copyright statute and in cases over which federal copyright policy controls.

Applying this test, the Eliscu court first decided that the plaintiff presented no claim for infringement and had not requested any remedy granted under the Act, since the defendant had neither used nor threatened to use the copyrighted work.120 Second, none of the claims

115. Eliscu, 339 F.2d at 824-25.
116. Id. at 825.
117. Id. at 829.
118. Id. at 824.
119. Id. at 828.
120. Id. at 825.
required interpretation of any provision of the copyright statute.\textsuperscript{121} Finally, the court determined there was "not the slightest reason to think that any legal question presented by Harms' complaint [fell] in the shadow of a federal interest suggested by the Copyright Act or any other source."\textsuperscript{122}

Although he accordingly concluded that the federal courts lacked subject matter jurisdiction over the case at hand, Judge Friendly also took note that the courts had exercised copyright jurisdiction in cases in which the plaintiff alleged that the defendant had forfeited rights granted by license to use a work and had then continued to use the work anyway.\textsuperscript{123} That is, when the plaintiff does not simply seek royalties or a declaration of rights, but complains about a particular use, then copyright jurisdiction may exist. Even in those cases, however, the courts will find jurisdiction only "if the plaintiff has directed his pleading against the offending use, referring to the license only by way of anticipatory replication, but not if he has sued to set the license aside, seeking recovery for unauthorized use only incidentally or not at all."\textsuperscript{124}

Since the Eliscu decision, many federal courts have relied on Judge Friendly's test for copyright jurisdiction.\textsuperscript{125} Interestingly, however, applications of his test have often produced inconsistent results. The courts have developed two distinct approaches to this question: Some examine the plaintiff's claims in depth in order to discern their principal and controlling purpose or issue; others look more to the surface of the complaint in applying the well-pleaded complaint rule.

A. The "Principal and Controlling Issue" Test

Some courts frequently resolve questions of copyright jurisdiction according to what may be called the "principal and controlling issue" test. Under this approach, courts attempt to determine whether the case involves a genuine copyright claim or is simply a contract dispute. In a

\textsuperscript{121} Id. at 827.
\textsuperscript{122} Id. at 828.
\textsuperscript{123} Id. at 825.
\textsuperscript{124} Id.
sense, these courts try to glean the plaintiff's true purpose or motive in bringing the lawsuit from her pleadings.

The "principal and controlling issue" test originated in the Southern District of New York case of *Elan Associates v. Quackenbush Music, Ltd.* 126 The plaintiff in *Elan* had allegedly obtained the exclusive rights to publish and copyright several songs written by Carly Simon by contracting with the defendant, a corporation partly owned by Simon. Claiming that the contract only covered one song, not several, Simon reasserted her rights to the other songs and, together with the defendant, brought a state court action against the plaintiff to void the contract as tainted by fraud. The plaintiff then filed a suit in federal court that charged the defendant with infringing the copyrights it had allegedly transferred to the plaintiff through the contract. 127 The district court dismissed the complaint for lack of subject matter jurisdiction, explaining:

> Upon a careful reading of the plaintiff's complaint, the court finds that the principal and controlling issue involved in this action concerns a determination of proper title to the copyright in Simon's seven songs. The resolution of this dispute ultimately depends upon the validity of the plaintiff's exclusive publishing agreement with Simon, which is presently being litigated in the New York court. In short, although the action is cast in terms of infringement, in reality the suit is merely one to establish valid title by seeking to enforce a contract between an author and a publisher. 128

Similarly, in *Stepdesign, Inc. v. Research Media, Inc.*, 129 the plaintiff had assigned its copyright in two works to the defendant. After the defendant allegedly failed to comply with some conditions of this assignment, including payment of royalties, the plaintiff sued, arguing that defendant's breach effected a forfeiture of its rights to use the works and that defendant's continuing use thus constituted infringement. Because the plaintiff also requested relief under state contract and unfair competition laws, the defendant moved to dismiss the complaint for lack of subject matter jurisdiction. 130 The court granted the motion, reasoning that "the formal allegations of the complaint must yield to the substance of the claim." 131 The court viewed the essence of the plaintiff's case as a contract claim:

127. See id. at 461-62.
128. Id. at 462.
130. See id. at 32-33.
131. Id. at 33.
Thus the fundamental controversy involves interpretation of the two agreements to determine whether the right of reversion exists, and if so whether in fact there has been a breach of either agreement which would warrant reversion of the copyrights to the plaintiff. The primary and controlling purpose of the complaint is to reestablish plaintiff, under its claimed right of reversion for an alleged breach, as owner of the copyrights in the [works]. As such, the complaint clearly does not fall within the areas described by Judge Friendly as affording federal jurisdiction. 132

The district court in *Berger v. Simon & Schuster* 133 followed the same reasoning to a similar result. The plaintiff in that case had written a diet book and granted the defendant certain publication and distribution rights in the book. After the plaintiff enjoyed considerable success with a second book published elsewhere, the defendant republished the first book in order to capitalize on that success. The plaintiff’s federal suit claimed that the defendant had breached the contract, resulting in a reversion to the plaintiff of the rights granted by the agreement, and that the defendant had thus infringed the copyright by republishing the book. 134 The court viewed the substance of the case as an action in contract, even though the complaint was “framed entirely in terms of infringement,” 135 and dismissed it for lack of subject matter jurisdiction. Any decision on infringement would follow automatically and depend entirely upon the resolution of the underlying contract claim, the court reasoned. 136 The court further observed:

> If the sole test of federal jurisdiction is what the complaint alleges without more, the action is clearly a copyright infringement suit as plaintiff asserts. But it is disingenuous to assert that the contract expired by its own terms on the facts present here. Plaintiff cannot escape the consequences of there being a contract dispute simply by pretending in his complaint to ignore what lies at the heart of the controversy. 137

In *Berger*, as in *Elan Associates* and *Stepdesign*, the court interpreted *Eliscu* as requiring it to assess the true nature of the plaintiff’s claim rather than to focus on the face of the complaint alone. 138

132. *Id.* at 34 (footnotes omitted).
134. *See id.* at 915, 916.
135. *Id.* at 917.
136. *See id.* at 917-18.
137. *Id.* at 918-19.
138. Several other decisions from the Southern District of New York also followed this approach. *See, e.g.*, Bear Creek Prods. v. Saleh, 643 F. Supp. 489, 492 (S.D.N.Y. 1986) (treating plaintiff’s claim that copyright reverted to it by reason of defendant’s breach of assignment contract as a contract claim, in spite of complaint’s allegation of copyright infringement); Rotardier v. Entertainment Co. Music Group, 518 F. Supp. 919, 921 (S.D.N.Y. 1981) (holding claim that copyright reverted to plaintiff because of defendant’s breach of contract conditions
The Second Circuit recently indicated its approval of the Southern District’s approach in these cases. In *Schoenberg v. Shapolsky Publishers, Inc.*, the court of appeals outlined a three-step method for determining whether copyright jurisdiction exists over a case in which the plaintiff has alleged both breach of contract and copyright infringement:

A district court must first ascertain whether the plaintiff's infringement claim is only “incidental” to the plaintiff's claim seeking a determination of ownership or contractual rights under the copyright. If it is determined that the claim is not merely incidental, then a district court must next determine whether the complaint alleges a breach of a condition to, or a covenant of, the contract licensing or assigning the copyright. If a breach of a condition is alleged, then the district court has subject matter jurisdiction. But if the complaint merely alleges a breach of a contractual covenant in the agreement that licenses or assigns the copyright, then the court must undertake a third step and analyze whether the breach is so material as to create a right of rescission in the grantor. If the breach would create a right of rescission, then the asserted claim arises under the Copyright Act.

Although the court concluded that the insufficiency of the record on appeal prevented it from applying this test to the case before it, the outline of the test reveals a strong interest in determining the real purpose of the lawsuit. The Second Circuit’s concern with whether or not the infringement claim is “incidental,” the first prong of its test, and its approval of and reliance on the Southern District’s *Berger* decision signify its general agreement with the “principal and controlling issue” test.

---

139. *Schoenberg v. Shapolsky Publishers, Inc.*, 971 F.2d 926 (2d Cir. 1992). The merits of Schoenberg's underlying claim were not at issue in this appeal. The opinion focused on the validity of a contempt citation issued against the defendant's lawyer for failing to comply with a discovery order. In challenging the contempt order, the lawyer asserted that the district court had lacked subject matter jurisdiction because the case did not arise under the copyright laws. *Id.* at 927.

140. *Id.* at 932-33 (citations omitted).

141. *Id.* at 933.


143. For a discussion of the elaboration on the “principal and controlling issue” test re-
Other courts have also used the "principal and controlling issue" test. For example, in Royal v. Leading Edge Products, the First Circuit adopted a similar approach in upholding the lower court's dismissal of the complaint for lack of subject matter jurisdiction. The case involved a complicated contractual arrangement between the parties. The defendant had hired the plaintiff in 1982 as its manager of word processing development. The following year, plaintiff and a co-worker entered into a separate agreement with the defendant to develop a software package for the latter in exchange for royalties. This royalty agreement allowed the defendant to stop paying royalties if it fired the plaintiff for cause; if it terminated plaintiff without cause, however, defendant would have to continue royalty payments for five years after the date of termination. Otherwise, royalties would apparently continue for as long as the plaintiff worked for the defendant. The defendant fired plaintiff in 1986, and did not pay plaintiff any royalties after that date.

The plaintiff filed suit in federal court, alleging that he was fired without cause and that defendant's nonpayment of royalties therefore constituted a breach of contract. The plaintiff also claimed, however, that he co-owned the copyright in the software that he had developed for the defendant, and sought a declaratory judgment to that effect and an accounting of profits based upon the co-ownership.

Despite the inclusion of this claim based on copyright, the First Circuit concluded that "[i]t can scarcely be argued that appellant's claim, in its very nature and essence, is one for breach of contract." The court saw the claim as nothing more than a suit for nonpayment of royalties, commenting:

we must parse causes of action as they are, not as the pleader might fondly wish they were . . . . Accordingly, we decline appellant's invitation to dance at a masquerade ball. We will not assume jurisdiction over what is essentially a garden-variety contract dispute, notwith-
standing Royal’s heroic efforts to costume it in the guise of a copyright action. 148

In Topolos v. Caldewey, 149 the Ninth Circuit used the “principal and controlling issue” test in concluding that copyright jurisdiction existed. The plaintiff in Topolos had written a book about Napa Valley wineries, which the defendant agreed to publish. The publishing agreement required the defendant to pay plaintiff royalties and to register the copyright in the work in the plaintiff’s name. The defendant instead registered the copyright in its own name, later published a revised version of plaintiff’s book, also listing itself as the copyright owner, and then published a third book by a different author on the same subject. 150

In his federal suit, plaintiff claimed ownership of the copyright in the original book and charged the defendant with infringing that copyright by publishing the later revised edition and the book by the new author. 151 He also alleged breach of contract. 152 The district court viewed the case as a dispute over copyright ownership and dismissed the complaint. 153 The Ninth Circuit reversed on the ground that ownership was a threshold question but not in fact the principal question. Since the plaintiff alleged that the defendant’s two later publications infringed his copyright, the court reasoned, a finding on the infringement issue would not follow automatically from the resolution of the ownership dispute, but would require a separate inquiry. While recognizing that the title question alone could not support jurisdiction, the court judged the need for this additional determination sufficient to vest the federal court with jurisdiction. 154

148. Id. at 5.
149. 698 F.2d 991 (9th Cir. 1983).
150. Id. at 992.
151. Id. at 995.
152. Id. at 992.
153. Id. at 993.
154. See id. at 994. The case of Joseph J. Legat Architects, P.C. v. United States Development Corp., 601 F. Supp. 673 (N.D. Ill. 1985), provides another example of a court relying on the “principal and controlling issue” test to determine that copyright jurisdiction exists. The plaintiff in that case had created architectural plans under a contract with the defendant developer. The plaintiff alleged that after it had created the plans, the defendant breached the contract and then copied the plans, thus infringing the plaintiff’s copyright therein. The defendant moved to dismiss, arguing inter alia that the federal court lacked jurisdiction because the case, as a mere dispute over title, did not arise under the copyright laws. Id. at 674. The district court denied the motion and ruled that the case arose under the copyright laws. Id. at 677. Reasoning that the plaintiff’s claim was for infringement, the court distinguished the case from Eliscu and Elan Associates, in which the “principal and controlling issue” had been ownership of the copyrights. See id. at 676-77. By contrast, the court in Dolch v. United California Bank, 702 F.2d 178 (9th Cir. 1983), held that plaintiff’s suit to invalidate renewal assignments did not arise under the copyright laws, explaining: “The nature and scope of
Thus, courts using the “principal and controlling issue” approach willingly look beyond the face of the complaint to evaluate the true nature of the dispute before them. When they consider a case to be in renewal rights, as well as their assignability, are federal questions, but the conditions for valid assignment are not.” Id. at 180. Similarly, in Franklin v. Cannon Films, Inc., 654 F. Supp. 133 (C.D. Cal. 1987), the court refused to exercise copyright jurisdiction over a dispute that would have required it to decide whether the defendant had properly transferred distribution rights in copyrighted films to another, when defendant had obtained those rights through a contract with the plaintiff. The court judged that the outcome of the infringement question would follow automatically from its interpretation of the contract language and would require no examination of the works, unlike the situation in Topolos. See id. at 134-35; see also Peay v. Morton, 571 F. Supp. 108, 115 (M.D. Tenn. 1983) (holding dispute over conflicting assignments of copyright not to arise under the copyright laws, even though complaint included allegations of infringement, because “the determination of ownership [was], clearly, the principal purpose of the . . . complaint”).

155. The court in Malinowski v. Playboy Enterprises, 706 F. Supp. 611 (N.D. Ill. 1989), also relied on the “principal and controlling issue” test in determining that a photographer's suit against the magazine that had hired him to take photographs was “a collection case in which the ownership of the copyright [was] essentially irrelevant.” Id. at 616. The court conceded that “were this a Rule [12](b)(1) motion plaintiff would prevail on the jurisdictional argument,” since plaintiff’s complaint alleged a violation of his copyright and sought relief under the Copyright Act. Id. at 615. Because the defendant had raised the issue in a motion for summary judgment, however, the court concluded: “[W]e must look beyond the pleadings to see if this case really does arise out of the copyright law or whether the complaint might be an example of 'creative labelling.'” Id. (quoting Royal, 833 F.2d at 5).

Contrary to the Malinowski court’s reasoning, it is generally recognized that litigants should raise jurisdictional questions by motions to dismiss and not by motions for summary judgment. See, e.g., Winslow v. Walters, 815 F.2d 1114, 1116 (7th Cir. 1987) (holding that a party may move to dismiss for lack of subject matter jurisdiction only under Rule 12(b)(1), not under Rule 56: “Seeking a summary judgment on a jurisdictional issue . . . is the equivalent of asking a court to hold that because it has no jurisdiction the plaintiff has lost on the merits. This is a nonsequitur.”); Leaver v. Parker, 121 F.2d 738, 739 (9th Cir. 1941) (holding that district court should have dismissed action for want of jurisdiction instead of entering summary judgment because “the court lacked jurisdiction under the Copyright Act”).

Of course, a court must dismiss an action “whenever it appears by suggestion of the parties or otherwise that the court lacks jurisdiction of the subject matter.” Fed. R. Civ. P. 12(h)(3). Moreover, even in the context of a Rule 12(b)(1) motion to dismiss for lack of subject matter jurisdiction, courts may look beyond the pleadings and consider affidavits and other evidence in order to determine the existence of subject matter jurisdiction. E.g., Land v. Dollar, 330 U.S. 731, 735 n.4 (1947) (“[W]hen a question of the District Court's jurisdiction is raised . . . the court may inquire, by affidavits or otherwise, into the facts as they exist.”); Indium Corp., 781 F.2d at 884 (“In deciding such a Rule 12(b)(1) motion, the court can consider . . . evidentiary matters outside the pleadings.”); Berardinelli v. Castle & Cooke, Inc., 587 F.2d 37, 39 (9th Cir. 1978) (same); Peay, 571 F. Supp. at 110 (noting that in passing on motions to dismiss for lack of copyright jurisdiction, “courts may consider...
essence a dispute over title, these courts dismiss the action for want of jurisdiction regardless of whether the complaint includes a claim explicitly based on the copyright laws.

B. The Face of the Complaint Approach

Other courts, however, have applied the well-pleaded complaint rule in a more restrictive manner to determine whether a claim arises under the copyright laws. For example, in Effects Associates v. Cohen,\textsuperscript{156} the Ninth Circuit examined the language of the complaint and reversed the district court's dismissal of the case for lack of subject matter jurisdiction. The plaintiff in that case had created several special effects, which the defendant allegedly used in its feature film. The plaintiff sued in federal court, alleging copyright infringement as well as fraud and deceit.\textsuperscript{157} The lower court found the case did not arise under the copyright laws because "the principal and threshold issue to be resolved was a question of state contract law."\textsuperscript{158} The Ninth Circuit disagreed, reasoning that "[t]he inclusion of a single paragraph . . . alluding to an oral promise concerning the use of [plaintiff's] works, does not transform [plaintiff's] claim into one for breach of contract."\textsuperscript{159} The court focused on how the plaintiff had drafted the allegations in the complaint, observing that "plaintiff is master of his claim and in some cases will have the choice of framing his action either as one for infringement or for breach of contract."\textsuperscript{160} The plaintiff had decided to sue for infringement, the court concluded, and the existence of a defense based on a contract would not defeat copyright jurisdiction.\textsuperscript{161}

In Vestron, Inc. v. Home Box Office,\textsuperscript{162} the Ninth Circuit again relied on the well-pleaded complaint rule in reversing a dismissal for lack of subject matter jurisdiction. In that case, the plaintiff claimed to own the exclusive rights to distribute the films Hoosiers and Platoon on videocassette by virtue of a contract with the films' producer, Hemdale.\textsuperscript{163} The plaintiff's arrangement with Hemdale had led to discord and litigation, as a result of which Hemdale claimed to have terminated the con-

\textsuperscript{156} 817 F.2d 72 (9th Cir. 1987).
\textsuperscript{157}  Id. at 72-73.
\textsuperscript{158}  Id. at 73.
\textsuperscript{159}  Id.
\textsuperscript{160}  Id.
\textsuperscript{161}  Id.
\textsuperscript{162}  839 F.2d 1380 (9th Cir. 1988).
\textsuperscript{163}  Id. at 1380-81.
tract. Hemdale then assigned the exclusive videocassette rights to the
defendant. When the defendant began to distribute the tapes, the plain­
tiff brought a federal suit charging the defendant with infringing its ex­
clusive distribution rights. The defendant argued that its admission to
the use complained of left the court to decide only which party, plaintiff
or defendant, owned the videocassette rights. According to the defend­
ant, the case ultimately presented only the issue of which party had the
valid contract with Hemdale, an issue of state contract law, and therefore
did not arise under the copyright laws. Agreeing that it lacked subject
matter jurisdiction, the district court dismissed the case.

The Ninth Circuit looked to the face of the complaint, found that
the plaintiff had stated a claim based on and had sought relief under the
copyright statute, and reversed the dismissal. The court considered the
central role of the ownership question immaterial to the jurisdictional
inquiry and observed that valid title is always an element of a copyright
infringement claim. Although it acknowledged that some plaintiffs
might bring federal copyright actions with the real intention of vindicat­
ing contract rights, the court resolved that federal courts should find
copyright jurisdiction whenever the complaint properly states a claim
based on the copyright laws.

The Fourth Circuit recently adopted similar reasoning in Arthur
Young & Co. v. City of Richmond. The defendant in that case had
hired the plaintiff to design and implement billing and customer informa­
tion software. Several problems arose between the parties during the
course of their relationship, resulting in disputes over compensation.
Eventually, the defendant locked the plaintiff out of the workplace, but
continued to use the software it had created. In its federal suit, the
plaintiff claimed ownership of the copyright in the software, charged the
defendant with copyright infringement by continuing to use it, and

164. Id. at 1381. Although Hemdale and the plaintiff had state court actions pending
against each other, the Ninth Circuit adjudged those suits irrelevant to copyright jurisdiction
in the matter at hand. See id.
165. Id.
166. Id. at 1382.
167. See id.
168. See id.
169. 895 F.2d 967 (4th Cir. 1990).
170. Id. at 968.
171. The plaintiff initially sued in state court on common-law contract theories, but then
filed the separate federal action that was the subject of the Fourth Circuit's opinion. See id.
172. Id. at 969. The plaintiff also alleged in the alternative that regardless of which party
owned the software, the defendant's use of the underlying source code constituted copyright
infringement. Id.
sought remedies provided by the copyright statute. The district court found that the case arose under state contract law and granted the defendant's motion to dismiss for lack of subject matter jurisdiction.

The Fourth Circuit reversed, relying on *Franchise Tax Board, Eliscu*, and the well-pleaded complaint rule. The court held that the district court erred by looking behind the complaint's allegations to determine whether the copyright claim was the "principal and controlling issue," reasoning: "The difficulty or centrality of those state law questions cannot defeat jurisdiction when the complaint shows that the claim for relief arises under a cause of action created by federal law." Because the complaint explicitly cited and relied upon provisions of the Copyright Act, the Fourth Circuit concluded, the case arose under the copyright laws.

In sum, unlike the courts that use the "principal and controlling issue" test, courts that follow the face of the complaint approach have

175. See id. at 969-71.
176. Id. at 971.
177. The court distinguished those cases requiring courts to examine disputes over jurisdictional facts, because the case at bar presented only the legal question of whether the claim based on those facts was a copyright claim. See id. at 970-71; cf. supra note 155 (noting that courts may resolve disputes over jurisdictional facts at any point in a case).

Other recent decisions also reflect this approach and the influence of the well-pleaded complaint rule. See, e.g., *Daniel Wilson Prods. v. Time-Life Films*, 736 F. Supp. 40, 43 (S.D.N.Y. 1990) (holding complaint including counts based on copyright and contract law to arise under the copyright laws: "Where a complaint alleges a federally conferred right, such as a copyright, a trademark or a patent, then alleges violations of that right and requests remedies provided by federal statute, this should be enough to confer federal jurisdiction."); *Powell v. Green Hill Publishers*, 719 F. Supp. 743, 745 (N.D. Ill. 1989) (finding federal copyright jurisdiction based on *Vestron* and the well-pleaded complaint rule, even though plaintiff included count alleging material breach of contract by defendant); *see also* *Foxrun Workshop, Ltd. v. Klone Mfg.*, 686 F. Supp. 86, 87-91 (S.D.N.Y. 1988) (holding case to arise under federal trademark statute and rejecting "principal and controlling issue" test as impractical when trademark owner alleged that defendant continued to use trademark after license agreement was terminated for breach of its terms). On the other hand, the court in *Borden v. Katzman*, 881 F.2d 1035 (11th Cir. 1989), seemed to misapply the well-pleaded complaint rule. In that case the plaintiff, the owner of the copyright in a translation done under contract with the defendant, sued to establish his right to publish the translation. The district court had denied defendant's motion to dismiss, holding that a suit to establish the right to publish, a right granted by the copyright laws, was a suit arising under the copyright laws. Id. at 1036-37. The Eleventh Circuit reversed on the ground that plaintiff had not alleged any infringement or attempted infringement by the defendant. Id. at 1039. According to the court, the determination of plaintiff's right to publish hinged on the resolution of defendant's argument that the plaintiff's exercise of such rights would constitute a breach of his fiduciary duty to the defendant, a state law matter. Id. at 1038. The court's willingness to look at defenses instead of the substance or surface of the complaint apparently conflicts with the principle established by *Mottley* and
determined copyright jurisdiction solely on the basis of the form of pleading chosen by the plaintiff. They consider the plaintiff's motivation or dominant purpose in pursuing the lawsuit irrelevant to the jurisdictional inquiry.

III. Toward a Pragmatic Balancing Test for Copyright Jurisdiction

The foregoing review of the various cases addressing when a claim arises under the copyright laws for purposes of federal jurisdiction reveals several problems with the two principal approaches adopted by the courts. Looking only at the face of the complaint has the advantages of clarity and relative predictability: if the complaint follows the appropriate format and includes allegations of copyright infringement, the other cases affirming the well-pleaded complaint rule. Cf. supra notes 19-57 and accompanying text.

Similar issues arise when the plaintiff sues in state court and frames the complaint solely in terms of breach of contract. State courts looking only at the face of the complaint take jurisdiction, while those probing for the essential purpose of the plaintiff's claims may well dismiss such cases as within the exclusive province of the federal courts. For example, in Burnett v. Warner Bros. Pictures, 486 N.Y.S.2d 613 (Sup. Ct.), modified, 493 N.Y.S.2d 326 (App. Div. 1985) (dismissing with prejudice), aff'd mem., 492 N.E.2d 1231 (N.Y. 1986), the plaintiffs sued the defendant in state court for allegedly misappropriating their fictional characters in a television program, claiming that such use exceeded the scope of the parties' license agreement. The state trial court dismissed the suit for lack of subject matter jurisdiction, reasoning:

While plaintiff [sic] purports to state a claim for breach of contract, in fact plaintiffs allege that defendants infringed their rights precisely because such rights were never contracted away. While defendants will no doubt eventually defend on the merits by referring to the contract of assignment, the nature of a potential defense does not define original jurisdiction and the Federal courts can and do entertain state law questions in federal copyright actions.

While plaintiffs' complaint is exhaustive in attempting to assert State law claims, the court concludes that each of such claims is predicated on the notion that plaintiffs' rights in the play were never surrendered and defendants have infringed. Such claims are equivalent to the rights protected under Federal law.

Id. at 616 (citation omitted); see also Michaelson v. Motwani, 372 So. 2d 726, 727-28 (La. Ct. App. 1979) (dismissing suit to enjoin defendant from using plaintiffs copyrighted decals for lack of subject matter jurisdiction, holding such matters to be within exclusive jurisdiction of federal courts); Arch Music Co. v. Gladys Music, Inc., 231 N.Y.S.2d 757, 759 (Sup. Ct. 1962) (dismissing case for lack of subject matter jurisdiction because corporate defendant was not a party to contract being sued upon and "principal and controlling purpose" was "copyright ownership and interference the exclusive jurisdiction of which is in the United States District Court"); Schrut v. News Am. Publishing, 474 N.Y.S.2d 903, 905 (Civ. Ct. 1984) (dismissing action that charged defendant with using a photograph in breach of the parties' contract as within the exclusive jurisdiction of federal courts); cf. Burke v. Pittway Corp., 380 N.E.2d 1, 6 (Ill. App. Ct. 1978) (holding suit over defendant's alleged failure to comply with an agreement regarding patent applications and royalties to present a contract claim not arising under the patent laws), cert. denied, 441 U.S. 908 (1979).
plaintiff can assume the federal courts will take jurisdiction. These advantages, however, pale in comparison to the potential costs of this approach. By requiring courts to defer to the plaintiff's pleading choices, the well-pleaded complaint approach applied in such copyright decisions as Effects Associates, Vestron, and Arthur Young & Co.178 might open the floodgates to allow more and more federal litigation of cases that are at heart contract disputes. In that event, the federal courts would find themselves bogged down with cases requiring interpretations of contract language and state contract law simply to reach at some ultimate point a matter-of-fact conclusion that behavior outside the bounds permitted by contract also infringes the copyright. The form of the pleadings alone thus should not be determinative. The Supreme Court's decisions in Franchise Tax Board, Merrell Dow, and Christianson demonstrate a greater concern with determining a claim's true nature and whether it contains an essential federal issue than with the formal content or structure of the complaint.179 Moreover, the face of the complaint approach gives short shrift to the second basis for federal jurisdiction reflected in the second and third prongs of Judge Friendly's test: it does not allow courts to consider sufficiently whether copyright issues are essential to a

178. See supra Part II.B. Others have recognized the possible benefits in clarity and efficiency of the well-pleaded complaint rule. See, e.g., Twitchell, supra note 11, at 821-22. Professor Twitchell concluded, however, that courts inevitably must become more deeply involved in analyzing the complaint in order to prevent forum manipulation by the plaintiff. She therefore suggested that the courts identify those elements of a complaint actually necessary to state a federal claim and distinguish them from defenses to that claim. See id. at 823-31. Similarly, Professor Cohen conceded that the well-pleaded complaint rule "can be defended as a pragmatic rule of necessity which permits the determination of jurisdiction when the complaint is filed," but concluded that the rule "operates blindly to preclude federal jurisdiction in cases where, as a matter of sound policy, the parties ought to be permitted to choose a federal forum." Cohen, supra note 11, at 894. Professor Cohen recommended a pragmatic approach that considers, among other factors, the centrality of the federal issues to the claims presented. See id. at 905-15; see also Doernberg, supra note 11, at 651-53 (noting impossibility of determining from the face of the pleadings alone whether there is an actual dispute regarding federal law).

179. See supra notes 27-57 and accompanying text. The Court's preference for substantive analysis of claims also appears in the artful pleading doctrine, which seeks to discourage forum manipulation, attempts by plaintiffs to avoid federal jurisdiction by deleting essential federal allegations from complaints. See, e.g., Franchise Tax Bd. v. Construction Laborers Vacation Trust, 463 U.S. 1, 22 (1983) ("[A] plaintiff may not defeat removal by omitting to plead necessary federal questions in a complaint . . . ."); Mitchell v. Pepsi-Cola Bottlers, Inc., 772 F.2d 342, 344 (7th Cir. 1985) ("A plaintiff may not avoid federal question jurisdiction . . . by artfully omitting to plead federal questions essential to his or her right of recovery."); cert. denied, 475 U.S. 1047 (1986); Olguin v. Inspiration Consol. Copper Co., 740 F.2d 1468, 1473 (9th Cir. 1984) (holding court can look outside complaint under artful pleading doctrine to consider facts omitted by plaintiff in attempt to defeat federal jurisdiction); see also 14A WRIGHT, MILLER & COOPER, supra note 12, § 3722, at 266-78 (discussing forum manipulation cases); Twitchell, supra note 11, at 825-31 (same).
state law claim based either on the need for statutory construction or on some distinct federal copyright policy.\textsuperscript{180}

To avoid the deficiencies inherent in the face of the complaint approach, courts should analyze the nature of claims. Serious flaws also appear, however, in the decisions following the "principal and controlling issue" test. A plaintiff can frame a complaint in copyright infringement terms and still find herself sent back to state court if a federal court concludes that the plaintiff's real purpose is to resolve a contract dispute. This test encourages courts to attempt to read the plaintiff's mind, to weigh the merits of the case to determine the real essence of the plaintiff's dispute with the defendant. Unfortunately, however, the cases offer no clear guidelines to follow or factors to weigh in making this determination. As a result, a party planning to file suit remains unable to predict whether or not the case belongs in federal court. The courts, in turn, must face frequent jurisdictional challenges to such claims, resulting in the consumption of valuable judicial resources on a question that is peripheral to the merits of the cases.

The courts need a coherent, efficient framework for analyzing whether a particular dispute arises under the copyright laws. That framework should force the courts to consider both whether federal copyright law creates a claim and whether copyright law forms a necessary element of a state law contract claim. In developing such a framework, courts may find guidance in scholars' proposals for determining "arising under" jurisdiction in the context of section 1331. As described below, the pragmatic approach to general federal question jurisdiction described by Professor William Cohen proves instructive for the determination of copyright jurisdiction.\textsuperscript{181} That approach leads us to consider the underlying state and federal concerns at stake in such determinations, and finally to a method for weighing these potentially conflicting interests.

A. Scholarly Approaches to Federal Question Jurisdiction

It is beyond the scope of this Article to address all the scholarly comment that section 1331 and general federal question jurisdiction have inspired. A general overview of some of the most thoughtful commentaries, however, helps to frame the discussion. For example, Professor Donald Doernberg recommended that the courts adopt an "outcome-determinative" test for federal question jurisdiction.\textsuperscript{182} That is, he would

\textsuperscript{180} Cf. supra text accompanying notes 119-124.
\textsuperscript{181} See infra notes 196-201 and accompanying text.
\textsuperscript{182} See Doernberg, supra note 11, at 656.
ask whether resolution of the federal issue will necessarily cause or prevent any given result in the case. Such a test, he argued, "will insure that the parties will vigorously litigate the [federal] issue" and also "insures that the courts will not be asked to render advisory opinions in violation of the case-or-controversy clause."183

It is unclear how this test might function in the context of our paradigm case.184 If we assume, for example, that the case will require an examination of the works at issue in order to determine whether the defendant's work is substantially similar to the plaintiff's work and thus infringes the copyright in that work,185 we would then need to decide under the outcome-determinative test whether the resolution of the substantial similarity issue will determine liability in the case. In order to answer this question, however, the court may well need to consider whether the parties' contract allowed the defendant to use the work in the allegedly infringing manner. The court might find from this analysis that the contract permitted the defendant to use the work in any manner. In that event, the contract issue, not the substantial similarity issue, becomes outcome-determinative. Unfortunately, the court cannot make that determination without considering the merits of the case. Having a court determine the merits in order to determine jurisdiction is obviously inefficient and conceptually unjustifiable.

Moreover, if the defendant has used the plaintiff's work in its entirety and does not dispute substantial similarity, it might initially appear that liability will turn on a resolution of the contract issue alone. Since every assignment or license assumes that the assignor or licensor is the owner of a validly copyrighted work or of the rights conveyed, however, even the contract issues cannot be resolved without some consideration

183. Id. at 657 (footnote omitted). For a discussion of the constitutional prohibition of advisory opinions, see Laurence H. Tribe, American Constitutional Law § 3-9 (2d ed. 1988). Professor Doernberg also advocated the abandonment of the well-pleaded complaint rule and endorsed federal question jurisdiction over all cases presenting federal issues, regardless of whether they appear in the complaint or as a defense. See Doernberg, supra note 11, at 656-63. Given the Supreme Court's recent opinions reaffirming the well-pleaded complaint rule, however, see supra notes 27-57 and accompanying text, this change is unlikely to occur.

184. See supra text accompanying notes 2-8.

185. In order to find copyright infringement, a court must conclude that the defendant had access to the copyrighted work allegedly infringed and that the defendant's work is substantially similar to the copyrighted work. See generally Amy B. Cohen, Masking Copyright Decisionmaking: The Meaninglessness of Substantial Similarity, 20 U.C. Davis L. Rev. 719, 728-34 (1987); 3 Nimmer & Nimmer, supra note 8, §§ 13.02-13.03. Access is not an issue in the contract cases since the defendant, by contracting with the plaintiff, certainly has had an opportunity to see the copyrighted work. The parties are more likely to dispute substantial similarity, but the issue needs no court resolution if the defendant admits to using the identical work.
of copyright ownership and copyright validity, issues of federal copyright law. Thus, Professor Doernberg’s test does not help settle the question of when our paradigm case arises under the copyright laws.\footnote{186} Similar problems plague the hierarchical analysis promoted by Professor Alan Hornstein.\footnote{187} Under his method, “the existence of arising under jurisdiction depends upon whether the federal element of the case is sufficiently anterior to other elements so that reliance on it will be necessary to resolve the dispute.”\footnote{188} According to Professor Hornstein, a court must decide certain issues prior to others in any given case. When a party claims that a state statute violates the Federal Constitution, for example, the court will need to resolve, before reaching the federal issue, the anterior question whether the statute applies to the parties as a matter of state law. Since that state law issue is anterior to the federal issue, the case would not arise under federal law, according to Professor Hornstein, unless the result of the state law matter is sufficiently certain that the court will clearly have to decide the federal issue.\footnote{189} On the other hand, when the federal issue is anterior to the nonfederal issue, for example, when a federal question appears as to the capacity of a party to sue or be sued, then arising under jurisdiction exists because the court must face that issue before it can reach the nonfederal issues.\footnote{190} This analysis would not apply, however, to cases in which the federal issue arises only in response to a defense.\footnote{191}

In the context of copyright jurisdiction, this hierarchical scheme would apparently treat every case involving a contract for use of a copyrighted work as arising under the copyright laws. Since threshold questions arguably arise as to the plaintiff’s ownership of a validly copyrighted work in every such case, analogous to the capacity to sue issue that Professor Hornstein discussed in the context of Osborn v. Bank

---

\footnote{186} Professor Doernberg’s outcome-determinative test resembles the test of logical necessity criticized in Note, The Outer Limits of “Arising Under,” 54 N.Y.U. L. REV. 978 (1979). The student author argued that requiring the federal issue to be logically necessary to resolving the case would unduly restrict the scope of federal jurisdiction. As discussed below, the author advanced a test of substantial reliance on the federal issue as more appropriate. \textit{See infra} note 195. Professor Cohen also rejected the logical necessity or outcome-determinative approach to federal question jurisdiction. \textit{See} Cohen, supra note 11, at 898-99.

\footnote{187} \textit{See} Hornstein, supra note 12.

\footnote{188} \textit{Id.} at 566.

\footnote{189} \textit{See} id. at 585-90.

\footnote{190} \textit{See} id. at 579-84.

\footnote{191} \textit{Id.} at 580-81. Like Professor Doernberg, Professor Hornstein would allow federal defenses raised in the answer to establish federal question jurisdiction and removal jurisdiction, contrary to the well-pleaded complaint rule. \textit{See} id. at 602-13. As noted above, the courts are unlikely to make such changes. \textit{See supra} note 183.
of the United States, all of them would fit within Professor Hornstein's test of federal question jurisdiction, even though the issues of copyright ownership and validity may be uncontested and inconsequential to the real dispute in many of these cases. Such a test would therefore be overinclusive, allowing federal jurisdiction over virtually all cases involving a copyrighted work, contrary to the precedent established by T.B. Harms Co. v. Eliscu and other cases.

192. 22 U.S. (9 Wheat.) 738 (1824); see Hornstein, supra note 12, at 576-83 (arguing that Osborn "arose under" federal law for jurisdictional purposes because the Bank's capacity to sue was a necessary element of the claim and depended on federal law; the Court would thus have to rely on federal law to decide the case even if the parties did not dispute this issue).

193. Professor Hornstein argued that federal question jurisdiction exists even when the parties do not dispute the anterior federal question: "[T]he fact that it is not necessary to resolve a federal question is not determinative of a federal court's original jurisdiction; so long as it is necessary to consider the federal ground in order to decide the case, . . . original jurisdiction exists." Hornstein, supra note 12, at 583.

194. 339 F.2d 823 (2d Cir. 1964), cert. denied, 381 U.S. 915 (1965); see supra text accompanying notes 114-124.

195. See supra notes 125-177 and accompanying text. Others have suggested less stringent tests for determining federal question jurisdiction. For example, Professor Paul Mishkin noted that the constitutional reach of federal courts' jurisdiction is broad enough to include almost any case with a federal ingredient, but Congress limited the statutory scope of that jurisdiction to avoid overloading the federal courts. See Mishkin, supra note 11, at 160-63. He described this narrower scope as including only those cases that contain substantial claims based "directly" on federal law, colorable claims based on a substantive right to a remedy created by federal law. See id. at 165. He would not, however, limit jurisdiction to cases presenting valid federal claims or "actual" controversies because to do so would require deciding the case on the merits in order to determine jurisdiction. See id. at 166.

Similarly, a student author proposed that federal question jurisdiction depend on whether the "plaintiff's complaint discloses actual, substantial reliance—at the time the judicial power is invoked—on a proposition of law that touches on federal primary relationships." Note, supra note 186, at 979. Under this test, the author explained, "the federal proposition must either prescribe the remedy sought or otherwise be a central question likely to be controverted at trial." Id. at 994 (footnote omitted). This standard aims to "prevent the exercise of federal jurisdiction on the basis of remote or purely speculative federal propositions, thereby preserving state courts' independence in adjudicating claims virtually certain not to depend on federal law." Id. at 995. While arguing that the existence or nonexistence of a federally created remedy should not necessarily govern federal question jurisdiction, the author suggested that such a factor ought to create a presumption with regard to federal jurisdiction: if federal law provides the remedy, jurisdiction will be presumed; otherwise federal question jurisdiction will presumptively not exist, a presumption that the plaintiff can overcome by demonstrating a "reasonable likelihood that a federal proposition invoked by the plaintiff will prove decisive." Id. at 1005. Thus, both authors place great weight on requests for a federally created remedy.

As applied to our paradigm case, this would lead back to "Pleeder's Choice," see supra note 87, and the problems of artful pleading, see supra note 179, since a plaintiff could manipulate the jurisdictional question by formulating her prayer for relief either strictly in contract terms or in copyright terms, even though the substance of either remedy would be virtually the same (i.e., damages, injunctive relief, or both), differing only in its legal basis. Such methodologies elevate form over substance with no policy rationale for the distinction.
On balance, the best approach is that recommended by Professor William Cohen. He proposed that the courts take a pragmatic course to determining federal question jurisdiction:

A novel claim of mixed federal and state law ought to qualify as "arising under" federal law only if it exhibits those features which justify the need for federal trial court jurisdiction of federal question cases. A case that requires expertise in the construction of the federal law involved in the case, and a sympathetic forum for the trial of factual issues related to the existence of a claimed federal right, ought to fall within federal jurisdiction. On the other hand, a federal court should not be compelled to accept federal question jurisdiction over a class of suits which typically neither involves actual contested issues of federal law nor requires the protective jurisdiction of a sympathetic federal trial forum. 196

Thus, Professor Cohen advised courts to consider a number of practical factors in the calculus of federal question jurisdiction, including, for example, the likelihood that granting jurisdiction over a particular category of disputes will overburden the federal courts, the presence of a significant federal interest in the suit, the need for federal expertise, and the need to avoid state bias. 197 While conceding the uncertainty in such an approach, 198 Professor Cohen argued that the guidelines then in use created comparable uncertainty. 199 Furthermore, he suggested, "A frank recognition of the pragmatic nature of the decision-making process would help throw light on the factors which actually induce decision. It would, moreover, reduce the danger that a judge would be beguiled by one of the numerous analytical tests into reaching an indefensible result." 200

Professor Cohen's approach has much to commend it: it is straightforward and avoids the hypertechnicality of the "outcome-determinative" and hierarchical theories discussed above. Significantly, it

196. Cohen, supra note 11, at 906. Professor William Cohen is not related to the author of this Article. This author approves his approach based on its merits, not on his surname.
197. See id.
198. Professor Cohen has been criticized by others making this same point. See, e.g., Note, supra note 186, at 980 ("A vague, intuitive 'federal interests' test is an escape, not an answer.").
199. See Cohen, supra note 11, at 908.
200. Id. at 907. Professor Chisum considered Cohen's pragmatic approach in the context of patent jurisdiction and observed that the patent cases "show a conspicuous insensitivity to these kinds of pragmatic factors." Chisum, supra note 61, at 669. The risks presented by the exclusive nature of federal patent jurisdiction, he suggested, have made the courts particularly reluctant to adopt a more flexible approach that would deny the state courts all jurisdiction over such cases. Professor Chisum encouraged the courts to apply section 1331 pragmatically in some cases involving patent issues, thus allowing for original but not exclusive federal jurisdiction. Id. at 668-73. As discussed above, the courts will likely not adopt this different reading of "arising under" for purposes of sections 1331 and 1338. See supra note 108.
encourages the courts to consider the policies underlying federal question jurisdiction in determining whether a particular case should be heard in a federal court.\textsuperscript{201} In line with this purpose, courts determining copyright jurisdiction should first return to the policies underlying federal copyright jurisdiction, as reflected in section 1338 and copyright law in general.

B. The National Interest in Copyright Matters Arguably Justifies Federal Jurisdiction Over Any Case Involving Copyrights

It is well established that American copyright law serves two interrelated purposes. The framers of the Constitution gave Congress the power to extend copyright protection to "Authors" of "Writings" in order to "promote the Progress of Science and useful Arts."\textsuperscript{202} An author receives copyright protection not only as a matter of private intellectual property entitlement, but also to encourage the creation of works in the interest of public enlightenment. As the courts have often recognized, copyright law attempts to strike an appropriate balance between providing authors with sufficient protection to foster the creation of works and ensuring public access to the works created. The control given to authors is limited, both in time and in scope, so that others will have access to those works, whether simply for their own personal consumption or, more importantly, for use in creating their own original variations on such works.\textsuperscript{203} It is this broad, underlying policy that the federal courts must consider in deciding copyright disputes.

Moreover, Congress's view that copyright law involves important national interests appears in two ways. First, Congress amended section 301(a) of the Copyright Act in 1976 to provide for complete preemption of all state laws conferring rights equivalent to those protected by federal

\begin{footnotes}
\footnote{201. See supra note 16 and accompanying text (purposes of federal question jurisdiction).}
\footnote{202. U.S. CONST. art. I, § 8, cl. 8.}
\footnote{203. See, e.g., Sony Corp. of Am. v. Universal City Studios, 464 U.S. 417, 429 (1984) (Copyright "is intended to motivate the creative activity of authors . . . by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired."); Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) ("Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts. . . . [T]he ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good."); Hoehling v. Universal City Studios, 618 F.2d 972, 974 (2d Cir.) ("The copyright provides a financial incentive to those who would add to the corpus of existing knowledge by creating original works."); cert. denied, 449 U.S. 841 (1980); see also 1 NIMMER & NIMMER, supra note 8, § 1.03, at 1-31 to 1-34 (outlining judicial interpretations of copyright law's purposes).}
\end{footnotes}
copyright law. Thus, Congress clearly views copyright law as a matter of national, not state, concern. Second, Congress has long provided the federal courts with exclusive jurisdiction over matters arising under the copyright law, reflecting a desire that such law be consistently interpreted by federal courts to promote national policy goals.

The typical copyright jurisdiction dispute, as outlined earlier, involves conflicts between an author and a transferee based in part on a

---

204. See Act of Oct. 19, 1976, Pub. L. No. 94-553, sec. 101, § 301(a), 90 Stat. 2541, 2572. This section now provides in pertinent part:

[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 [of Title 17] 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 [of Title 17], . . . whether published or unpublished, are governed exclusively by this title. . . . [N]o person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

17 U.S.C. § 301(a) (1988). For more complete discussions of the scope and significance of the 1976 Copyright Act's preemptive effect, see MARSHALL A. LEAFFER, UNDERSTANDING COPYRIGHT LAW §§ 11.5-11.10 (1989), and 1 NIMMER & NIMMER, supra note 8, § 1.01[B].

205. For a brief history of the federal courts' exclusive copyright jurisdiction, see supra note 62. The purpose of exclusive federal jurisdiction in this area, to ensure consistent, competent interpretation of copyright law, has long been recognized. In Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964), for example, the Supreme Court noted that Congress's early passage of the first federal patent laws reflected its recognition of state patent protection's inadequacy, id. at 228, and further suggested, "The purpose of Congress to have national uniformity in patent and copyright laws can be inferred from such statutes as that which vests exclusive jurisdiction to hear patent and copyright cases in federal courts, 28 U.S.C. § 1338(a) . . .," id. at 231 n.7. The legislative history of the 1976 Copyright Act also supports this view: "One of the fundamental purposes behind the copyright clause of the Constitution . . . was to promote national uniformity and to avoid the practical difficulties of determining and enforcing an author's rights under the differing laws and in the separate courts of the various states." H.R. REP. NO. 1476, 94th Cong., 2d Sess. 129 (1976) (emphasis added).

Decisions such as that of a Louisiana court in Michaelson v. Motwani, 372 So. 2d 726 (La. Ct. App. 1979), demonstrate the validity of concerns about state courts' interpretations of federal copyright law. The plaintiff in that case claimed that the defendant used his decals for shirt designs without his permission. The court observed: "At the time of these sales the decals allegedly copied by defendants bore a 'C' indicating plaintiff had an application pending for a copyright." Id. at 727. The court went on to vacate the trial court's injunction against defendant's use as without jurisdiction, holding "that the pending copyright application brings this within the exclusive federal jurisdiction." Id. at 728. This decision shows a basic misunderstanding of copyright law. An author does not "apply for" a copyright; the copyright simply exists once a work is fixed in a tangible medium of expression. See 17 U.S.C. §§ 101, 302(a); see also 2 NIMMER & NIMMER, supra note 8, § 9.01[A][I], at 9-4 to 9-4-1 (discussing when work is "created" for copyright purposes). Moreover, the designation "©," far from having anything to do with a copyright "application," is a notice placed on a work when it is publicly distributed to indicate that the owner claims copyright in that work. See 17 U.S.C. § 401 (1988); 2 NIMMER & NIMMER, supra note 8, § 7.02. Although this is just one example of the state courts' relative lack of expertise with copyright law, it is indicative of the larger problem. The paramount need for consistent and correct interpretation of the copyright laws demands that such matters be decided exclusively in the federal courts.
contract between those parties. Such a conflict implicates these important federal copyright concerns in several ways. First, even if the dispute ultimately centers on the contract's terms, this contract involves a right that exists only by virtue of federal law. Moreover, copyright law expressly recognizes an author's right to transfer his or her copyright; transfer may in fact be a necessary antecedent to the economic rewards of authorship, rewards that copyright law assumes are vital to promote the creation of such works. In addition to implicating these authorship interests, such a dispute raises concerns of public access. How a court interprets the contract will affect the rights of anyone who wants access to the work. In light of the significant federal stake in copyright matters, the federal courts could justify taking jurisdiction over any dispute involving a copyright transfer because they could treat any such dispute as arising under the copyright laws. We must consider, therefore, why they have not exercised such a broad jurisdiction over copyright matters.

C. The Limits on Federal Jurisdiction: Countervailing State Interests

Although any dispute involving copyright matters implicates important national interests, the federal courts have not concluded from this that they should take jurisdiction over all such cases. Furthermore, Congress has made it clear that copyright law does not preempt state claims based on "legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright." As interpreted by the courts, breach of contract claims are not "equivalent" to any claim under the copyright laws and thus are not preempted thereby.

206. See supra text accompanying notes 2-8.

207. See 17 U.S.C. § 201(d)(1) (1988) ("The ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession.").

208. See 17 U.S.C. § 301(b)(3) (1988 & Supp. II 1990) ("Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to ... activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright .... ").

209. Courts and commentators agree that Congress did not intend to preempt claims for breach of contract, even if the contract involved a copyrighted work. See, e.g., Acorn Structures, Inc. v. Swantz, 846 F.2d 923, 926 (4th Cir. 1988) (holding copyright law did not preempt action alleging that use of copyrighted plans constituted breach of parties' contract); Smith v. Weinstein, 578 F. Supp. 1297, 1307 (S.D.N.Y.) (ruling plaintiff's claim that defendant appropriated script idea in breach of contract not preempted by federal copyright law), aff'd mem., 738 F.2d 419 (2d Cir. 1984); Werlin v. Reader's Digest Ass'n, 528 F. Supp. 451, 467 (S.D.N.Y. 1981) (ruling plaintiff's quasi-contract claim in suit alleging that defendant appropriated her idea for a magazine article not preempted by federal copyright law); LEAFFER, supra note 204, § 11.7, at 333; 1 NIMMER & NIMMER, supra note 8, § 1.01[B], at 1-15 to 1-17 n.46.
Congress and the courts continue to distinguish claims based on state contract law from copyright claims, recognizing that contract matters present different concerns, concerns perhaps best left to the state courts.

Similarly, the Supreme Court in Christianson continued a trend of limiting federal jurisdiction over patent matters. In line with that unanimous opinion, not every claim relating to the validity of patents arises under the patent laws, notwithstanding section 1338(a)'s grant of exclusive federal jurisdiction over patent claims. Presumably, the Court would likewise limit copyright jurisdiction to cases in which "the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal [copyright] law, in that [copyright] law is a necessary element of one of the well-pleaded claims."

Thus, in spite of the arguments favoring the extension of federal jurisdiction to all cases that involve copyright matters, even pure breach of contract cases, such an approach is unlikely to appeal to either Congress or the courts. In the interest of pragmatism, some recommendation must be made to help the courts draw the line between federal and state jurisdiction in such cases.

In formulating such a recommendation, we must first consider why Congress and the courts continually refuse to make copyright jurisdiction all-inclusive. The federal interest in doing so is set forth above; the obvious countervailing interest involves the states' right to apply their own laws. Because copyright jurisdiction is exclusive, the state courts cannot take jurisdiction over any case found to arise under the copyright laws. Thus, before shutting the state courts out, we need to consider what important state interests might be at stake in our paradigm case and its variations.

The states have an interest in maintaining consistent rules for the formation and interpretation of contracts. Persons transacting business and forming contractual relationships in a given state need to know what rules the state applies in determining the enforceability and meaning of contracts. They need to know how the state defines breach of contract and what remedies it will provide to a party that proves such a breach. Although these matters were of more local concern before the proliferation of interstate and international transactions, courts still generally treat such questions outside the copyright realm as matters of state and not federal law, even though parties now often do business across state or national boundaries. This view is consistent with the fundamental under-

210. See supra notes 90-112 and accompanying text.
standing of our federal system: the states have rights except when specifically denied or limited by the Constitution.212

Our Constitution's allocation of power between the state and federal governments, deferring to the states on matters of local concern, imposes significant political and philosophical constraints on the breadth of copyright jurisdiction. Thus, in deciding what cases "arise under the copy-

212. The Tenth Amendment provides: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." U.S. CONST. amend. X. Although a full discussion of federalism is far beyond the scope of this Article, it is settled that great concerns over states' rights and the appropriate limitations on federal power have driven much of American history, as well as the framing of the Constitution. See, e.g., RAOUl BERGER, FEDERALISM: THE FOUNDERS' DESIGN 21-201 (1987); HOW FEDERAL IS THE CONSTITUTION? (Robert A. Goldwin & William A. Schambra eds., 1987). Many Supreme Court decisions reflect this deference to state law concerns. For example, in Murdock v. City of Memphis, 87 U.S. (20 Wall.) 590 (1875), the Court held that decisions of the highest court of a state were final on matters of state law and not reviewable by the Supreme Court: "The State courts are the appropriate tribunals . . . for the decision of questions arising under their local law, whether statutory or otherwise." Id. at 626. See generally ERWIN CHEMERINSKY, FEDERAL JURISDICTION §§ 10.2, 10.5 (1989) (examining Supreme Court review of state court judgments and proceedings); TRIBE, supra note 183, §§ 3-22 to 3-24 (describing constitutional and policy limitations on federal review of state decisions). The doctrine of abstention affords another example of federal deference to state autonomy and power over local law. In Railroad Commission v. Pullman Co., 312 U.S. 496 (1941), the Court held that federal courts should abstain from deciding cases on federal constitutional grounds that they might resolve on the basis of state law and not reviewable by the Supreme Court: "The State courts are the appropriate tribunals . . . for the decision of questions arising under their local law, whether statutory or otherwise." Id. at 500. See generally CHEMERINSKY, supra § 12.2 (discussing when abstention is proper); TRIBE, supra note 183, §§ 3-28 to 3-30 (exploring abstention's policies of preserving integrity of state law and respecting autonomy of state judicial systems). Although these doctrines have many limitations and raise many interpretative problems, they clearly reflect the judiciary's respect for the historical and continuing American concern with state sovereignty and control over matters of state law. See generally PAUL M. BATOR ET AL., HART AND WECHSLER'S THE FEDERAL COURTS AND THE FEDERAL SYSTEM 479-749 (3d ed. 1988) (detailing interplay between federal authority and state jurisdiction).

Moreover, the Supreme Court has repeatedly recognized the legitimacy of state law's control over matters of local concern, including issues of contract law. See, e.g., Wallis v. Pan Am. Petroleum Corp., 384 U.S. 63, 68-69 (1966) (holding state law governed lease executed under federal Mineral Leasing Act of 1920); United States v. Yazell, 382 U.S. 341, 357-58 (1966) (finding state law concerns about capacity to contract overrode any federal interest in loan made by Small Business Administration); Bank of Am. Nat'l Trust & Sav. Ass'n v. Parnell, 352 U.S. 29, 33-34 (1956) (holding conflict between private parties regarding conversion of federally guaranteed bonds to be based on state law because the existence of some federal interest was "far too speculative, far too remote a possibility to justify the application of federal law to transactions essentially of local concern"); Gully v. First Nat'l Bank, 299 U.S. 109, 114 (1936) (finding no federal jurisdiction over a contract dispute: "The obligation of the contract being a creation of the state," there was "no necessary connection between the enforcement of such a contract according to its terms and the existence of a controversy arising under federal law.").
right laws,” courts should balance the state interest in local contract matters against the federal interest in copyright law. When the state interest is more essential to the dispute, the court should treat the case as not arising under the copyright laws.

On the other hand, when federal copyright interests are more pressing, the case should be heard in federal court. Given that federal copyright law fundamentally aspires to strike a balance between the public interest in access to works and the need to reward authors, courts determining whether a case arises under the copyright laws should examine whether and to what extent the case implicates this policy concern. It is most important for federal courts to decide disputes that require weighing these concerns with public access and rewarding authors. Focusing on this principle allows us to specify the application of this balancing test and to construct, from the specific context of our paradigm case, a general framework for deciding whether a case arises under the copyright laws.

D. Balancing State and Federal Interests: A Framework for Determining Copyright Jurisdiction

In order to provide a more coherent and predictable method for determining copyright jurisdiction, the following discussion proposes an analytical framework that focuses on three central issues: whether the author is the plaintiff; whether the plaintiff’s claim presents distinct copyright issues that are independent from any contract issues in the case; and, when the author is plaintiff, whether her claims are likely to directly affect the parties’ rights to use and to control use of the copyrighted work. The answers to these questions alone can and should determine copyright jurisdiction in most cases. Actions brought by copyright transferees, for example, should almost always be heard in state court. Actions brought by authors, however, require a deeper analysis, to which we now turn.

(1) Claims for Copyright Infringement Brought by Authors Against Transferees

a. When the Transferee Has Used the Entire Work Without Change

The “claim” most obviously created by the copyright statute is the claim for infringement of one of the copyright owner’s exclusive

---

213. See supra notes 202-205 and accompanying text.
214. See infra Part III.D.3. Of course, this conclusion relates only to the existence of copyright jurisdiction, and assumes the absence of diversity of citizenship and other independent bases for federal jurisdiction.
One might therefore assume that any time an author sues a transferee for copyright infringement, the federal courts should have exclusive jurisdiction over the matter. The courts should, however, distinguish those cases in which the transferee has allegedly used the author's work in its entirely and in its original form from those in which the transferee has allegedly used the author's work only in part or transformed it in some other way. A transferee may not take an author's work in its entirety, without changes, unless she obtains the right to do so through her contract with the author. In such a case, the outcome of the infringement question would follow automatically once the court determined whether the defendant breached the contract. The state law contract issues predominate over federal copyright concerns in such cases, and the courts accordingly should treat them as not arising under the copyright laws.

The Ninth Circuit made this exact point in Topolos v. Caldewey to distinguish the case before it from Elan Associates v. Quackenbush Music, Ltd. The plaintiff in Topolos claimed that the defendant had infringed the copyright in his book about Napa Valley wineries by publishing a different book on the same subject, whereas in Elan the plaintiff charged the defendant with using the very works in which it claimed exclusive rights. In finding that the Topolos case arose under the copyright laws, the Ninth Circuit reasoned:

Only when such ownership [of copyright] is the sole question for consideration are federal courts without jurisdiction. In Elan, although copyright infringement was alleged, the determination of infringement automatically followed upon decision of the ownership question. No independent determination of infringement had to be made. In this

---


216. Of course, exceptions to this rule would be proper when the dispute focuses on contract terms that incorporate the language and standards of the copyright statute, thus arguably making the construction of federal copyright law a necessary element of the contract claim. For example, a contract provision that the transferee cannot "perform a work publicly" may require federal interpretation in order to strike the appropriate balance between what the transferee can and cannot do based on copyright law, as opposed to what it can do based on the terms of the contract. Similarly, cases that raise issues of whether a work is a "work for hire" either based on the contract or independent of its terms, such as Arthur Young & Co. v. City of Richmond, 895 F.2d 967, 968 (4th Cir. 1990), and Royal v. Leading Edge Products, 833 F.2d 1, 3 (1st Cir. 1987), may require the federal courts' expertise with, and sensitivity to, copyright matters.

217. 698 F.2d 991 (9th Cir. 1983); see supra text accompanying notes 149-154.

218. 339 F. Supp. 461 (S.D.N.Y. 1972); see supra text accompanying notes 126-128.
case, however, after ownership of the copyright is decided the court must still resolve the issue whether two books published by [defendant] infringe any copyright in which Topolos has beneficial ownership. That question properly belongs to a federal court, since it requires an examination of the works, extent of the copying involved, and an application of the Copyright Act.219

Thus, when the transferee has copied or used the copyrighted work in its entirety, the claim is more accurately characterized as a contract law claim than as one created by the copyright laws.220

219. Topolos, 698 F.2d at 994 (footnote omitted); see also Franklin v. Cannon Films, Inc., 654 F. Supp. 133, 134-35 (C.D. Cal. 1987) (finding case not to arise under the copyright laws and distinguishing Topolos because the matter at hand required no examination of the works to determine infringement; rather, determination of infringement would follow automatically upon resolution of copyright ownership); Berger v. Simon & Schuster, 631 F. Supp. 915, 917 (S.D.N.Y. 1986) (declining federal copyright jurisdiction when defendant republished plaintiff's book, because "once the contractual rights and duties of the parties are resolved, the Court so doing will not be called upon to make any determination about whether defendant's publication is an infringement"); rather, "infringement vel non would necessarily follow from the Court's finding on the contract issues"). The court in Deats v. Joseph Swantak, Inc., 619 F. Supp. 973 (N.D.N.Y. 1985), faced a similar issue in a patent case. The plaintiff in Deats, who had licensed a patent to the defendant, claimed that the defendant breached the license agreement and then continued to use plaintiff's invention, resulting in "unjust enrichment." Id. at 975-76. The plaintiff sued in state court, but the defendant removed the action to federal court. The plaintiff then moved for remand, arguing that the federal court did not have subject matter jurisdiction over the case, which included only breach of contract and other state law claims and therefore did not arise under the patent laws. Id. at 976. The court rejected plaintiff's characterization of the case, reasoning that it would first need to decide whether plaintiff's patent had been infringed in order to determine whether defendant was unjustly enriched by the continued use of plaintiff's invention. Id. at 981-82. Thus, relying on Franchise Tax Board, the court concluded that federal jurisdiction existed over the case because it "require[d] resolution of a substantial question of federal law." Id. at 981 (quoting Franchise Tax Bd. v. Construction Laborers Vacation Trust, 463 U.S. 1, 13 (1983)). Because removal jurisdiction depended on the state court having proper jurisdiction over the original claim, however, see supra note 30, the court dismissed the patent claims instead of remanding them to the state court. See Deats, 619 F. Supp. at 982. As discussed above, the removal statute no longer requires such a result since Congress's 1986 amendment. See supra note 30.

220. A recent decision by Judge Robert Patterson of the Southern District of New York reflects another flawed approach to determining copyright jurisdiction. See Marshall v. New Kids on the Block Partnership, 780 F. Supp. 1005 (S.D.N.Y. 1991). In that case, the plaintiff Marshall had photographed the defendant, New Kids on the Block (New Kids), a popular music recording group. Id. at 1006. Marshall, supported by an invoice, claimed that she retained the copyright in the photographs and had granted only limited reproduction rights to New Kids. Id. at 1006-07. Alleging that New Kids had exceeded such rights, Marshall filed a federal complaint framed in terms of copyright infringement against both New Kids and those who had reproduced the photographs with New Kids' consent. Id. at 1007-08. The defendants introduced evidence of an oral contract that predated the invoice and entitled New Kids to use the photographs as alleged. Id. at 1007. The defendants then moved to dismiss for lack of subject matter jurisdiction, arguing that the case did not arise under the copyright laws. Id. at 1008.

If the defendants had used the photographs in a way that exceeded the scope of the li-
When the Transferee Has Not Used the Work in Its Entirety or Has Transformed the Work

If the transferee has only used a portion of the work, has added something to the work, or has changed it in some way, however, the federal concerns in the controversy predominate and a federal court must decide the case. In such cases, the court must decide whether the transferee's work is "substantially similar" to the author's work, whether the transferee has taken copyrightable material, and whether the transferee's use can be considered a "fair use" of the author's work. These are critical questions that affect the nature and scope of copyright protection. Given Congress's clear and longstanding treatment of copyright policy matters as exclusively federal, the courts must consider these federal interests to be weightier than any state interest in such cases. These cases thus belong in federal court as actions arising under the copyright laws.

Moreover, cases in which an author sues a transferee and states an independent claim of copyright infringement as so described should fall...

---


222. For a discussion of the importance of infringement decisions and how such decisions implicate copyright policy concerns, see, for example, Amy B. Cohen, Copyright Law and the Myth of Objectivity: The Idea-Expression Dichotomy and the Inevitability of Artistic Value Judgments, 66 IND. L.J. 175, 184-230 (1990).
within federal jurisdiction regardless of whether the plaintiff frames the complaint solely in copyright terms or in conjunction with a contract claim. Congress's recent establishment of supplemental jurisdiction has indirectly overruled the Supreme Court's decision in Luckett v. Delpark, Inc. that pleading a state law claim constitutes a waiver of any federal patent claim, even if the plaintiff also pleads that federal claim. Supplemental jurisdiction enables federal courts to decide state law claims that "are so related" to a claim within their original jurisdiction that "they form part of the same case or controversy." The federal courts

223. 270 U.S. 496, 511 (1926); see supra text accompanying notes 81-87.


Except as provided in subsections (b) and (c) or as expressly provided otherwise by Federal statute, in any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution. Such supplemental jurisdiction shall include claims that involve the joinder or intervention of additional parties.


Neither the text nor legislative history of section 1367 directly addresses whether supplemental jurisdiction is available in cases in which original federal jurisdiction is based on 28 U.S.C. § 1338(a)—for copyright, patent, plant-variety protection, and trademark claims—as opposed to the general federal question jurisdiction of section 1331. Long before it enacted section 1367, Congress had provided for original federal jurisdiction over "any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trade-mark laws." Act of June 25, 1948, ch. 646, § 1338(b), 62 Stat. 869, 931 (codified as amended at 28 U.S.C. § 1338(b) (1988)). This provision only granted jurisdiction over unfair competition claims, however, and did not extend to breach of contract claims. See, e.g., Maternally Yours, Inc. v. Your Maternity Shop, Inc., 234 F.2d 538, 543 (2d Cir. 1956) (construing section 1338(b)'s purpose in conferring federal jurisdiction over state unfair competition claims when joined with a substantial and related federal copyright, patent, or trademark claim as "to avoid 'piecemeal' litigation" (quoting 28 U.S.C. § 1338 note (Supp. II 1948) (Legislative History—Reviser's Note))); accord Lone Ranger Television, Inc. v. Program Radio Corp., 740 F.2d 718, 724 (9th Cir. 1984); Family Circle v. Family Circle Assocs., 332 F.2d 534, 536 (3d Cir. 1964). But see, e.g., Hazel Bishop, Inc. v. Perfemme, Inc., 314 F.2d 399, 403-04 (2d Cir. 1963) (holding contract claim within federal jurisdiction as pendent to trademark claim).

Despite section 1367's silence on the matter, an interpretation of supplemental jurisdi-
should accordingly take jurisdiction over any and all claims that have a relation to a copyright claim sufficient to meet the standards of supplemental jurisdiction. Most cases in which an author sues a transferee for both breach of contract and copyright infringement would clearly meet this standard.

(2) Claims for Breach of Contract Brought by Authors Against Transferees

The jurisdictional issues differ when an author sues a transferee alleging only a breach of contract claim, presumably in state court. The transferee, in support of a motion to dismiss in state court or in defense of removal jurisdiction in federal court, may argue that copyright issues comprise necessary and substantial elements of the contract claim, urging that the case arises under the copyright laws and is within the exclusive jurisdiction of the federal courts.\(^\text{225}\) The transferee might claim that the plaintiff is not the true author, for example, or that the work is not protected by a valid copyright. Although these arguments implicate issues of copyright law, they really constitute defenses based on contract law, not elements of the contract law claim itself.\(^\text{226}\) Arguments that the plaintiff does not own the copyright or that the work is not validly copyrighted are mere defenses to the contract as based on fraud or mistake.\(^\text{227}\)


\(^{227}\) See, e.g., 3 Arthur Lint Corbin, Corbin on Contracts § 600, at 607 (1960) ("It may be found as a fact that the transaction was based upon the assumption that the patent was valid, and the price paid was the agreed exchange for the exclusive rights and privileges."
Copyright issues arise in these situations only as part of contract law defenses, not as part of the plaintiff's contract law claim. In accordance with the well-pleaded complaint rule, issues raised by way of defense cannot serve as the basis for federal jurisdiction. This rule reflects the courts' conclusion that the state law interests underlying the claims in such cases outweigh any federal interests in issues raised by way of defense.228

On the other hand, the transferee might argue that the very substance of the contract dispute affects important federal copyright concerns, thereby invoking the third prong of the test for federal copyright jurisdiction suggested by Judge Friendly.229 While a simple complaint for nonpayment of royalties does not require determination by the federal courts, some disputes over the meaning of contract language might raise sufficient federal copyright policy concerns to outweigh state law concerns, thereby justifying federal jurisdiction. Such disputes generally fall within one of three categories: Disputes regarding whether the agreement transferred certain rights;230 disputes as to whether certain conduct constitutes a breach of contract;231 and disputes over the type of remedies allowable in the event of breach.232

Then, if the patent is in fact void, there is a mistake as to a basic fact as to which the buyer or licensee meant to assume no risk . . . .")}; see also Standard Button-Fastening Co. v. Ellis, 34 N.E. 682, 683 (Mass. 1893) (dictum) (suggesting defendant licensees could refuse to pay royalties if invalidity of patent prevented use of licensed invention); Herzog v. Heyman, 45 N.E. 1127, 1128 (N.Y. 1897) (treating invalidity of patent as defense to suit for nonpayment of license fee); RESTATEMENT (SECOND) OF CONTRACTS §§ 151-172 (1979) (mistake and misrepresentation).

228. See supra text accompanying notes 19-23.
231. See, e.g., Royal v. Leading Edge Prods., 833 F.2d 1, 3 (1st Cir. 1987) (whether plaintiff was terminated for cause, thus permitting defendant to stop royalty payments); Powell v. Green Hill Publishers, 719 F. Supp. 743, 744 (N.D. Ill. 1989) (whether defendant's failure to register copyright of work was a material breach of its contract with plaintiff); Franklin, 654 F. Supp. at 135 (whether defendant's transfer of certain rights to third party constituted a breach of its agreement with plaintiff).
Disputes in the first category ordinarily implicate state law issues of contract interpretation above all else. These disputes typically focus on the intentions of the parties and the language used to express those intentions; such matters are the traditional province of state contract law and hence should be determined by the state courts.233

Disputes focusing on whether given conduct constitutes a breach of contract, however, may involve questions that exceed the scope of mere state law concerns. The Second Circuit described a helpful method for making this distinction in the copyright context in Schoenberg v. Shapolsky Publishers, Inc.234 In the second part of its three-step test, the court directed district courts to “determine whether the complaint alleges a breach of a condition to, or a covenant of, the contract licensing or assigning the copyright.”235 If the breach alleged is of a contractual condition, not just of a covenant, then copyright jurisdiction exists. If the plaintiff has alleged a breach of a covenant, however, “the court must undertake a third step and analyze whether the breach is so material as to create a right of recission in the grantor.”236 If so, federal copyright jurisdiction exists.237

Unfortunately, the Schoenberg court did not explain the rationale for this test.238 Schoenberg’s focus on conditions as distinguished from covenants, however, is consistent with this Article’s proposed approach to copyright jurisdiction. As defined by Professor Arthur Corbin, a “covenant,” or “promise,”239 is an expression of an “intention that some future performance will be rendered.”240 A promise “creates a legal duty in the promisor and a right in the promisee.”241 A condition, on the

---

233. When the parties express their intentions by reference to the standards and terms of art of the copyright statute, however, copyright jurisdiction is appropriate to the extent that the dispute turns on the meaning of those provisions. See supra note 216.

234. 971 F.2d 926 (2d Cir. 1992); see supra notes 139-143 and accompanying text.

235. Schoenberg, 971 F.2d at 932.

236. Id.

237. Id.

238. The Schoenberg court relied heavily on an earlier decision, Costello Publishing Co. v. Rotelle, 670 F.2d 1035 (D.C. Cir. 1981), in formulating its test. See Schoenberg, 971 F.2d at 932. Interestingly, however, Rotelle involved not a question of copyright jurisdiction, but rather a determination of indispensable parties. It was only in the context of that issue that the Rotelle court defined the difference between a contract claim and a copyright infringement claim. See Rotelle, 670 F.2d at 1045.

239. “The word ‘covenant’ has come to be not much more than a synonym of ‘promise.’” 3A Corbin, supra note 227, § 633, at 29.

240. Id. at 25.

241. Id.
other hand, is a fact or event that operates to limit or modify a right or duty to perform. "The non-occurrence of a condition will prevent the existence of a duty in the other party; but it may not create any remedial rights and duties at all, and it will not unless someone has promised that it shall occur." 242

In order to determine whether a given term is a covenant or a condition, Corbin suggested that courts perform the following analysis:

The first step, therefore, in interpreting an expression in a contract, with respect to condition as opposed to promise, is to ask oneself the question: Was this expression intended to be an assurance by one party to the other that some performance by the first would be rendered in the future and that the other could rely upon it? If the answer if yes, we have found the expression to be a promise that the specified performance will take place. The alternative question to be asked is: Was this expression intended to make the duty of one party conditional and dependent upon some performance by the other (or on some other fact or event)? If the answer to this question is yes, we have found that the specified performance is a condition of duty, but we have not found that anyone has promised that the performance will take place. It is not difficult to draw the logical distinction between a promise that a specified performance will be rendered, and a provision that makes a specified performance a condition of the legal duty of a party who promises to render another performance. The first creates a legal duty in the promisor; the second limits and postpones a promisor's duty. Often the contracting parties do not make this logical distinction and therefore so word their agreements as to make interpretation difficult. When such is the case, the court is free to give the contract the "construction" that appears to be the most reasonable and just. 243

This distinction proves instructive for determinations of jurisdiction in the context of a copyright contract. For example, suppose that a copyright assignment provides, "The transferee agrees to promote sales of the work." If the transferee fails to promote the work, the author may sue for breach of this term. The court would then have to decide whether the promotion clause was a condition to the author's duty to perform, i.e., to assign the copyright to the transferee, or was simply a covenant.

The court would make this determination based on what it found to be the intention of the parties, ascertained from the language of the contract and other relevant evidence. 244 If the court concluded that the au-

242. Id. at 26. Note also that fulfillment of a promise by one party can be a condition of the other party's duty to perform, and that a party can promise to fulfill the terms required by a condition. Id.
243. Id. at 32.
244. "Whether a provision in a contract is a condition the nonfulfillment of which excuses performance depends upon the intent of the parties, to be ascertained from a fair and reason-
thor only agreed to transfer the copyright if the transferee promoted the work, it would construe the clause as a condition and excuse the author from any obligation to transfer the copyright. According to the Schoenberg test, this case would arise under the copyright laws. This result seems correct because the ultimate decision in the case will obviously have a significant effect on the author's and the transferee's rights to use and to control use of the work.

On the other hand, if the court found that the promotion clause was only a covenant and not a condition to the author's duty to transfer the copyright, then the author could sue for breach of that covenant and recover damages. Only if the transferee's breach is considered to be "material" or "total" would the author also be excused from her promise to transfer the copyright. Thus, unless the breach was material, the court would uphold the author's obligation to transfer the copyright and leave the transferee's access to the work undisturbed. In such a case, copyright jurisdiction is unnecessary.

This leads us to the third step of the Schoenberg test, determining whether the breach of the covenant was a material breach. This in turn requires a court to consider what constitutes "substantial performance." Part of that determination is again a question of interpreting intent and contract language. The analysis, however, must also incorporate evaluations of the contract's true significance and the elements of performance that are required to avoid committing a material breach. Such determinations in the context of a copyright transfer may in turn require a heightened appreciation of the full value of a copyright and the rights attached thereto. In confronting whether a dispute over breach of contract raises substantial issues of copyright policy, the courts should therefore focus on the author's allegations of breach to ascertain whether

---

245. Cf. supra text accompanying note 235 (quoting second part of the Schoenberg test).

246. See Restatement (Second) of Contracts § 237 (1979) ("[I]t is a condition of each party's remaining duties to render performances to be exchanged under an exchange of promises that there be no uncured material failure by the other party to render any such performance due at an earlier time.").

247. For a discussion of substantial performance, see 3A CORBIN, supra note 227, §§ 700-712. For a discussion of "material" or "total" breach, see 4 id. § 946.

248. See 3A id. §§ 704-707; see also Restatement (Second) of Contracts § 241 (1979), quoted infra note 249.
the dispute impinges upon those policy concerns to such an extent as to outweigh the stake of state contract law in the case.

For example, reconsider the hypothetical contract with the promotion clause. If the court deduced from the language used and surrounding circumstances that this term was merely a promise by the transferee and not a condition to the author's obligation to transfer the copyright, the author would then argue that the transferee's breach of this promise constituted a material breach. In determining whether this breach was "material," the court might consider, among other things, the promotion term's relative value as part of the consideration for the author's promise to transfer the copyright. If the author's compensation was to be based entirely or substantially on sales of the work by the transferee, for example, then the failure to promote would be more significant than it would if the author received payment largely on some other basis, such as a lump sum.  

This determination has a strong relation to copyright policy, because it links the jurisdictional inquiry to whether the outcome of the case will substantially affect the economic incentives that copyright law bestows upon authors.

Finally, disputes over remedies are the most likely to draw in important copyright concerns. When the author claims a right of reversion in the copyright as a consequence of the transferee's breach of the license agreement, for example, the court must do more than simply interpret the contract. Because the court has to determine whether the breaching licensee should lose her right to use the copyrighted work as a result of

---

249. Compare, e.g., Frankel v. Stein & Day, Inc., 470 F. Supp. 209, 213 (S.D.N.Y. 1979) (ruling authors entitled to recission of publishing agreement when publisher failed to pay authors two-thirds of $27,500 "signature payment," because evidence indicated parties would regard such breach as "material"), aff'd mem., 646 F.2d 560 (2d Cir. 1980) with Nolan v. Sam Fox Publishing Co., 499 F.2d 1394, 1398-99 (2d Cir. 1974) (finding failure to pay 74% of royalties due author under copyright assignment did not constitute material breach). The Restatement (Second) of Contracts provides guidance:

In determining whether a failure to render or to offer performance is material, the following circumstances are significant:

(a) the extent to which the injured party will be deprived of the benefit which he reasonably expected;
(b) the extent to which the injured party can be adequately compensated for the part of that benefit of which he will be deprived;
(c) the extent to which the party failing to perform or to offer to perform will suffer forfeiture;
(d) the likelihood that the party failing to perform or to offer to perform will cure his failure, taking account of all the circumstances including any reasonable assurances;
(e) the extent to which the behavior of the party failing to perform or to offer to perform comports with standards of good faith and fair dealing.

Restatement (Second) of Contracts § 241 (1979).
the breach, the court’s decision will have a direct impact on the balance struck by copyright law between protecting the interest of others in access to a work and rewarding the author. A state court, being less sensitive to copyright policy, might analyze these disputes over remedies as matters of literal contract interpretation even though the copyright interests involved demand otherwise. Because disputes involving a claimed right of reversion raise federal copyright concerns that outweigh state law concerns, they should be heard in federal court.

These determinations—whether a breach is of a condition or of a covenant, whether a breach is material, and whether reversion should be ordered as a remedy—obviously cannot be made on the basis of the pleadings alone. A proper jurisdictional inquiry in such cases seems to require the court to delve into the merits in order to evaluate the stake of copyright policies in the matter. In the interests of both judicial economy and federal copyright policy, it would be best to treat suits by authors against transferees that will require such analysis of the merits to resolve jurisdiction as presumptively arising under the copyright laws in cases of doubt, erring on the side of being overinclusive rather than underinclusive in defining federal copyright jurisdiction. Thus, when a substantive analysis of an author’s claim for breach of contract reveals that the case will likely involve issues of conditional duty, material breach, or reversion of the copyright, the courts should find copyright jurisdiction to exist.

(3) Claims by Transferees Against Authors or Other Transferees

A different analysis applies when a transferee sues an author, claiming that the author transferred the copyright and then infringed the copyright and breached the transfer agreement by using the work with-

250. One might ask why federal policy should outweigh state policy in cases of conflict. Although jurisdictional friction might be resolved differently in theory, both the general structure of our federal system, see U.S. Const. art. VI, cl. 2 (“[T]he Laws of the United States . . . shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.”); Gade v. National Solid Wastes Management Ass’n, 112 S. Ct. 2374, 2386-88 (1992) (holding federal Occupational Safety and Health Act preempts state laws that tend to conflict or interfere with its provisions, even if those state laws were intended to serve different, legitimate state purposes), and the specific provisions of federal copyright law, see supra notes 204-205 and accompanying text, have resolved such conflicts in favor of federal law. See also Arthur Young & Co. v. City of Richmond, 895 F.2d 967, 970 (4th Cir. 1990) (“[W]here the jurisdictional facts are intertwined with the facts central to the merits of the dispute . . . the entire factual dispute is appropriately resolved only by a proceeding on the merits.” (quoting Adams v. Bain, 697 F.2d 1213, 1219 (4th Cir. 1982)) (omission by court)).
out the transferee's permission.\textsuperscript{251} At first glance this situation resembles that of the author's claim against the transferee described above. In the transferee's case, however, the entire claim rests primarily on the terms of the parties' agreement. The transferee has no right to use or to control the use of the work and cannot claim copyright infringement unless the agreement effected a transfer of title to the copyright. The success or failure of the transferee's lawsuit will ultimately depend on whether the contract is valid and prohibits the author's alleged conduct. Since a contract claim thus lies at the heart of such cases, the federal courts should decline copyright jurisdiction.\textsuperscript{252}

If the transferee brings only a contract claim, presumably in state court, the author might remove the case to federal court. In this situation, however, copyright issues will arise only in defenses to the contract claim, if at all. That is, the transferee charges the author with breaching the contract by continuing to use the copyrighted work after transferring the copyright. The author could only defend with arguments regarding the scope of the agreement and what works and rights it incorporates. That the author created the work and formerly owned the copyright does not alter the nature of the transferee's claim. Such a case brought by a transferee against an author solely on a contract law theory belongs in state court. Because these cases do not arise under the copyright laws, federal courts must refuse to take removal jurisdiction, remanding them to state court.\textsuperscript{253}

Finally, when the dispute arises between putative transferees and the author is not even a party, there is even less reason to exercise copyright jurisdiction. Although disputes among transferees clearly affect public access to a work, the need to reward the author plays no significant role in such cases. The interests at stake bear only a distant relation to copyright's balance of the author's rights against the public's interest in ac-


\textsuperscript{252} Because the federal court will not be able to resolve the copyright issue without also deciding the contract claim, any federal case should be dismissed for want of jurisdiction and the transferee should file in state court for a determination of the state claim. If the state court finds that the transferee holds the copyright in the works by virtue of the contract, then it might need to consider whether the author's particular conduct constitutes infringement of that copyright—for example, whether the author has used a substantially similar work. That question, as discussed above, implicates important copyright issues and should thus be considered separately in federal court, but only after state court adjudication of the contract claim. While this two-step process may seem inefficient at first glance, in reality many disputes would be completely resolved at the state court level, thus easing the burden on the litigants and the federal court system.

\textsuperscript{253} Again, this conclusion assumes the absence of diversity of citizenship and other independent bases for removal jurisdiction.
cess. Moreover, such claims are likely to turn primarily on issues of contract interpretation, not copyright issues. Thus, for example, the courts should treat cases like *Vestron, Inc. v. Home Box Office*<sup>254</sup> and *Peay v. Morton*,<sup>255</sup> in which the disputes arise between assignees alone over the use of unaltered, copyrighted works, rendering examination of the works unnecessary, as not arising under the copyright laws, regardless of how the plaintiffs frame their complaints.<sup>256</sup>

**Conclusion**

The courts and commentators have not carefully analyzed the framework of federal copyright jurisdiction. The courts have followed two essentially different courses in determining whether a claim “arises under” the copyright laws. One method focuses only on the face of the complaint, deferring to the pleader’s choice in drafting the claim in terms of copyright or contract law. That approach, while superficially consistent with the well-pleaded complaint rule, suffers from excessive tolerance for artful pleading and conflicts with recent Supreme Court opinions endorsing a deeper analysis of the true nature of the claims presented. The second method, which encourages the courts to look beyond the complaint’s face to determine the true nature of claims, is preferable, but the courts have thus far applied it without careful consideration of copyright policy and the purposes of exclusive federal jurisdiction over cases arising under the copyright laws.

In order to make jurisdictional decisions rationally consistent with these policy goals, courts should determine whether a given case arises under the copyright laws by weighing state law concerns with respect to contract law against federal concerns with copyright law. The courts should focus on a number of factors in applying this balancing test. First, if the case includes an author’s claim for infringement that is truly independent of and separable from any contract claim because it involves a use of the copyrighted work in other than its original form, then the federal courts should take jurisdiction over the matter in order to determine whether the works are substantially similar, whether copyrightable material has been taken, and whether the use complained of was a “fair use.” Moreover, in such cases the federal courts should exercise their

---

<sup>254</sup> 839 F.2d 1380 (9th Cir. 1988); see *supra* notes 162-168 and accompanying text.

<sup>255</sup> 571 F. Supp. 108 (M.D. Tenn. 1983); see *supra* note 154.

<sup>256</sup> When a transferee’s suit does present such copyright issues as substantial similarity or fair use, copyright jurisdiction should attach only after a state court has resolved the primary contract dispute. *See supra* note 252.
supplemental jurisdiction to adjudicate any contract claim as well as the copyright claim.

Federal courts should also exercise copyright jurisdiction over suits against transferees by authors claiming breach of a contractual condition or material breach, or seeking reversion of the copyright as a remedy for breach. Because resolving these issues requires inquiry into the merits and evaluation of the copyright policies at stake in the matter, it is more efficient and responsible to permit federal copyright jurisdiction.

On the other hand, copyright jurisdiction should not exist over cases brought by authors charging transferees with verbatim copying of the entire work at issue. Such conduct by transferees would automatically infringe the copyright if not done within the scope of a license or assignment agreement. As pure contract cases, these matters belong in state court.

Finally, the courts should treat cases brought by transferees against authors as not arising under the copyright laws because any copyright infringement claim in such cases wholly derives from and hinges upon the contract between the author and the transferee. The contract claim is thus the heart of such claims. For the same reason, federal courts should not take jurisdiction over disputes between transferees to which the author is not a party. To the extent that pure copyright issues do arise in suits by transferees against authors or other transferees, a federal court may address them only after a state court has adjudicated the contract issues in the case.

Although the approach proposed here lacks the clarity of the face of the complaint test, it provides litigants and the courts with practical guidelines, grounded in coherent policy justifications, for use in determining copyright jurisdiction.