Misusing Misuse: Why Copyright Misuse Is Unnecessary

Meg Dolan

Follow this and additional works at: https://via.library.depaul.edu/jatip

Recommended Citation
Available at: https://via.library.depaul.edu/jatip/vol17/iss2/2

This Lead Article is brought to you for free and open access by the College of Law at Via Sapientiae. It has been accepted for inclusion in DePaul Journal of Art, Technology & Intellectual Property Law by an authorized editor of Via Sapientiae. For more information, please contact digitalservices@depaul.edu.
MISUSING MISUSE: WHY COPYRIGHT MISUSE IS UNNECESSARY

By Meg Dolan

I. INTRODUCTION

Consider this: You are a start-up corporation who manufactures software that does something cool and new. You copyrighted your software code because it is an original work of authorship, created as a work for hire, and the creative portions of computer software programs are copyrightable. You licensed your software to one company and asked the licensee to agree to forgo any efforts to independently create its own competitive software, believing in good faith that this is permissible. But another potential licensee is lurking in the background. Potential licensee hears about this possibly unfair license you have with licensee. Rather than license your product, potential licensee simply copies your software. You sue potential licensee for copyright infringement, but potential licensee asserts an affirmative defense: copyright misuse. The court finds that based on your unfair license with licensee, your copyright is unenforceable.

Thus, even though potential licensee is blatantly infringing your copyright and never entered into an unfair license with you, you have no recourse. This is the unfortunate side of copyright

2. See, e.g., Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 971 (4th Cir. 1990) (finding that appellants circumvented the protective devices on appellee’s software after appellee specifically requested otherwise).
3. See infra Part II (detailing copyright misuse).
4. See Lasercomb, 911 F.2d at 979.
5. See Practice Mgmt. Info. Corp. v. Am. Med. Ass’n, 121 F.3d 516, 520–21 (9th Cir. 1997) (discussed infra, noting that which party suggested the anticompetitive contract terms is irrelevant to the determination of misuse); see also infra Part III.E (arguing that such contracts should be upheld).
6. Cf. Lasercomb, 911 F.2d at 979 (discussed infra, noting that even a party
misuse.\(^7\)

Misuse is an equitable defense, which developed from the doctrine of "unclean hands" in response to unfairly competitive behavior by intellectual property owners.\(^8\) Courts were unhappy with patentees who, though given a lawful monopoly over their invention, tried to extend that monopoly to other goods and processes by means such as tying arrangements and blanket licenses. Patentees using their intellectual property in this way, who then had the "audacity" to sue competitors and licensees for infringement, so angered the courts that they rendered the patents unenforceable.\(^9\) Eventually, defendants tried to assert misuse in the copyright context, and courts have more or less condoned it.\(^10\)

Congress and the courts have backed away from the harshness of patent misuse over the years,\(^11\) yet interestingly, copyright misuse is seemingly on the rise, at least in scholarly circles, where its use is often advocated.\(^12\) But as demonstrated by the above hypothetical, copyright misuse often punishes more than truly anticompetitive behavior. Further, there are numerous other ways to address this conduct such as antitrust laws, civil causes of action to combat harassing litigation, and consumer market forces. It is not advisable to create another doctrine that provides cumulative punishment in some cases and punishes the "innocent" in others.

who was not harmed by the anticompetitive terms has standing to claim misuse); James B. Kobak, Jr., A Sensible Doctrine of Misuse for Intellectual Property Cases, 2 ALB. L.J. SCI. & TECH. 1, 45 (1992) [hereinafter Kobak, A Sensible Doctrine of Misuse] (noting that copyright misuse may "bar suits against direct copyists").

7. See infra note 236; cf. Kobak, A Sensible Doctrine of Misuse, supra note 6, at 8. Kobak offers this call for caution:

Yet, if the Lasercomb decision is widely accepted, any restriction that is inserted as a fail-safe to ensure respect for the copyright, but which goes beyond the prohibition of copying itself—as any fail-safe provision would have to do if it were to function as any sort of fail-safe—could be vulnerable to attack as a misuse.

Id. at 8.

8. See infra notes 20–25 and accompanying text.
9. See infra notes 26–50 and accompanying text.
10. See infra notes 51–82 and accompanying text.
11. See infra notes 39–50 and accompanying text.
12. See infra notes 69–82 and accompanying text.
This Article addresses the affirmative defense of misuse in the copyright realm and argues that it is unnecessary. Part II discusses the development of copyright misuse and its evolution from "unclean hands" to its application to intellectual property.13 Next, Part III argues that misuse is an inappropriate defense for copyright infringers.14 It analyzes issues of misplaced incentives, standing, the subjectivity of the scope of copyright, and the distinctions between patent and copyright law that make it illogical to transplant the defense from one area to the other. This Part will also question whether informed licensees should be permitted to assert the defense. Part IV proposes alternatives that will alleviate some of the concerns raised by proponents of copyright misuse.15 It discusses the viability of antitrust law, various tort causes of action such as abuse of process, fair use, and more generally, using competitive market forces as a way to address abuses by copyright owners.

II. BACKGROUND

This Part will trace the evolution of the misuse defense from its equitable roots, to patents, and finally to copyrights. The copyright misuse defense was given significant recognition in 1990 and has continued to gain momentum.16 Many courts have recognized it, although few have found in favor of a defendant trying to assert it.17 This Part will also discuss the scope of the copyright misuse defense.18 It originated primarily in cases of antitrust violations, but has extended to cases involving other examples of overreaching by copyright owners. Finally, the procedural intricacies of copyright misuse will be considered.19

13. See infra notes 16–141 and accompanying text.
14. See infra notes 142–249 and accompanying text.
15. See infra notes 250–307 and accompanying text.
16. See Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970 (4th Cir. 1990); see also infra notes 57–68 and accompanying text.
17. See infra notes 69–82 and accompanying text.
18. See infra notes 82–135 and accompanying text.
19. See infra notes 136–41 and accompanying text.
A. What is Misuse?

Misuse is an affirmative defense derived from the equitable doctrine of "unclean hands."\(^\text{20}\) Unclean hands refers to nefarious conduct of the plaintiff that makes the court wary of awarding it any compensation, even if it has truly been harmed.\(^\text{21}\) A court, finding that a plaintiff has unclean hands, will deny relief based on its behavior so as not to reward the inequitable conduct.\(^\text{22}\) Thus, an intellectual property owner whose conduct overreaches the scope of the grant has unclean hands and should not be allowed to enforce its right; this specific type of unclean hands was named misuse. In the intellectual property context, misuse originated in patent law, but some courts have subsequently extended it to copyright.\(^\text{23}\) To date, no courts have recognized a doctrine of trademark misuse.\(^\text{24}\) Proponents of misuse argue that it is importantly distinct from antitrust law in that it extends not only to unfair competition but also to violations of public policy, and that it provides no affirmative relief—it functions only as a defense.\(^\text{25}\)


\(^{21}\) See William M. Corrigan, Jr. & Michael B. Kass, Non-Compete Agreements and Unfair Competition—An Updated Overview, 62 J. MO. B. 81, 86 (2006) ("There is a well-known adage that for one to seek equity, he must do equity.").

\(^{22}\) See, e.g., U.S. v. Felici, 208 F.3d 667, 670–71 (8th Cir. 2000) ("The doctrine of unclean hands is an equitable doctrine that allows a court to withhold equitable relief if such relief would encourage or reward illegal activity.").

\(^{23}\) See, e.g., Morton Salt Co. v. G.S. Suppiger, Co., 314 U.S. 488 (1942); Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970 (4th Cir. 1990).

\(^{24}\) G. Gervaise Davis III, The Affirmative Defense of Copyright Misuse and Efforts to Establish Trademark Misuse and Fraud on the Copyright Office: Establishing Limitations on the Scope of Copyright Owners Rights Based on Several Theories, 867 PLI/Pat 103, 148–49 (2006).

\(^{25}\) See, e.g., Elec. Data Sys. Corp. v. Computer Assocs. Int’l, Inc., 802 F. Supp. 1463 (N.D. Tex. 1992); see also Scher, supra note 20, at 97–104 (arguing that misuse should exist independently of antitrust law). Scher justifies his contention by pointing out that antitrust is a counterclaim while misuse is an affirmative defense. Thus, a defendant need not be personally injured to assert a misuse claim. Id. at 97. I discuss the intersection of antitrust and misuse more below, and argue that these are simply procedural aspects that present almost a circular argument as to why antitrust law is important. See infra notes 254–271 and accompanying text.

https://via.library.depaul.edu/jatip/vol17/iss2/2
1. Patents

The misuse defense originated in patent law as a doctrine created by courts of equity. Initially, courts seemed willing to give patentees wide latitude in protecting their exclusive monopolies. For example, in *Henry v. A.B. Dick Co.*, the Court sustained the tying of a patentee’s patented mimeograph machine to unpatented ink. The Court rejected the argument that allowing this arrangement extended the patentee’s monopoly beyond the scope of the patent grant. It noted that because the machine was patented, no one could have used a different ink in the machine without infringing the machine patent itself. Thus, the patentee "took nothing from others and in no way restricted their legitimate market.”

The Court swung the pendulum back in the other direction and fully recognized patent misuse for the first time in *Morton Salt Co. v. G.S. Suppiger, Co.* There, the plaintiff patentee patented a salt deposition machine. The plaintiff also sold unpatented salt tablets for use in the machine. To increase its sales of salt tablets, the plaintiff required licensees of its patented machine to buy its unpatented tablets as well. It brought suit against the defendant for allegedly infringing its patented machine and the defendant claimed the plaintiff had unclean hands. The defendant pointed

---

26. *Henry v. A.B. Dick Co.*, 224 U.S. 1, 25 (1912). The patentee licensed his machine, but in return, he required that licensees use only his brand of ink, stencil paper, and other supplies. *Id.* at 11. The defendant sold a can of his own brand of ink with the knowledge that it was going to be used in the patented machine and with knowledge of the license’s restrictions. *Id.* at 11–12. The defendant was sued for contributory infringement and in response argued that the plaintiff was misusing his patent (although the defendant did not use that exact terminology). *Id.* at 14.
27. *Id.* at 32–33.
28. *Id.* at 32.
29. *Id.* at 33.
31. *Id.* at 489. A salt deposition machine was “a device said to be useful in the canning industry for adding predetermined amounts of salt in tablet form to the contents of the cans.” *Id.*
32. *Id.* at 490.
33. *Id.*
34. *Id.* The trial court had dismissed the complaint because it felt the
to the tying arrangement as evidence of unfair competition.\textsuperscript{35} The Court noted that the policy behind giving a patentee an exclusive monopoly for a limited time also "forbids the use of the patent to secure an exclusive right or limited monopoly not granted by the Patent Office and which it is contrary to public policy to grant."\textsuperscript{36} Even though this particular defendant might not have been affected, the court noted "[i]t is the adverse effect upon the public interest of a successful infringement suit in conjunction with the patentee's course of conduct which disqualifies him to maintain the suit, regardless of whether the particular defendant has suffered from the misuse of the patent."\textsuperscript{37} Thus, the Court refused to grant relief to a patentee who was attempting to obtain a monopoly above and beyond that granted by the patent itself.\textsuperscript{38}

Plaintiffs, defendants, and the courts continued their tug of war over patent misuse. In 1952, Congress attempted to take back for the patentee some of the area the courts had taken away through the application of misuse. Congress codified the misuse doctrine

\textsuperscript{35} Morton Salt, 314 U.S. at 489–90.

\textsuperscript{36} Id. at 492. The Court added that "the use of [the patent] to suppress competition in the sale of an unpatented article may deprive the patentee of the aid of a court of equity to restrain an alleged infringement by one who is a competitor." Id. at 491.

\textsuperscript{37} Id. at 494 (emphasis added); see also James B. Kobak, Jr., The Misuse Defense and Intellectual Property Litigation, 1 B.U. J. SCI. & TECH. L. 2, 7 (1995) [hereinafter Kobak, The Misuse Defense] (noting that the defendant in Morton Salt obtained summary judgment in the lower court even though it did not prove "any of the traditional elements of an antitrust claim: market power, effect on the market, or injury to himself"); Scher, supra note 20, at 94 (discussing Morton Salt and noting that the Court thought that "the public in general suffers if an individual claims exclusive rights over something he did not create, because that individual removes from the public that which does not belong to him"). Later cases supported this view of patent misuse. See, e.g., Mercoid Corp. v. Minneapolis-Honeywell Regulator Co., 320 U.S. 680 (1944); Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 661 (1944); see also Kobak, The Misuse Defense, supra note 37, at 6 (discussing the Court's use of "sweeping language" to limit patentees' rights in the Mercoid cases).

\textsuperscript{38} Cf. Karen E. Georgenson, Comment, Reverse Engineering of Copyrighted Software: Fair Use or Misuse?, 5 ALB. L.J. SCI. & TECH. 291, 314 (1996) (explaining that the Court refused to find infringement because the patentee was violating public policy).
and gave specific examples of behavior that does not constitute patent misuse; the statute allowed the patentee to negotiate licenses involving conduct that would otherwise be contributory infringement and solidified the right to bring suit to enforce one's patent rights.\textsuperscript{39}

\textit{Dawson Chemical Co. v. Rohm & Haas Co.} added another limitation to the patent misuse doctrine.\textsuperscript{40} There, the patentee held a process patent on the use of propanil as a herbicide in rice farming.\textsuperscript{41} The defendant was accused of contributory infringement for selling propanil in a container labeled with directions for its use as a herbicide—the patented process.\textsuperscript{42} The defendant argued that because propanil itself was not patented, the plaintiff was illegally extending its process patent grant by limiting the sale of propanil.\textsuperscript{43} But the court found that the plaintiff had not misused its patent by using it to effectively control the market for propanil, because it was a nonstaple article with no significant noninfringing uses.\textsuperscript{44} Thus, the court allowed the patentee to

\textsuperscript{39} The original version of the statute provides:

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following:

(1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent;
(2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent;
(3) sought to enforce his patent rights against infringement or contributory infringement.


\textsuperscript{40} \textit{Dawson Chem. Co. v. Rohm & Haas Co.}, 448 U.S. 176 (1980).

\textsuperscript{41} \textit{Id.} at 181.

\textsuperscript{42} \textit{Id.} at 183.

\textsuperscript{43} \textit{Id.}

\textsuperscript{44} \textit{Id.} at 201. The Court explained the reasoning for its decision:

In this instance, as we have already stated, Congress chose a compromise between competing policy interests. The policy of free competition runs deep in our law. It underlies both the doctrine of patent misuse and the general principle that the boundary of a patent monopoly is to be limited by the literal
regulate the sale of a nonstaple product beyond the scope of its patent grant. This seemingly expanded the rights of patentees. Congress further narrowed the defense in 1988 by adding additional examples of conduct that does not constitute patent misuse. Thus, courts and legislators seem to be consistently constricting the use of patent misuse as an affirmative defense. Indeed, prior to the 1988 amendments, numerous congressional bills called for the complete abolition of patent misuse. Further, the statutory amendments provide that without a showing

---

scope of the patent claims. But the policy of stimulating invention that underlies the entire patent system runs no less deep. And the doctrine of contributory infringement, which has been called "an expression both of law and morals," can be of crucial importance in ensuring that the endeavors and investments of the inventor do not go unrewarded.

Id. at 221 (citations omitted).

45. See Kobak, A Sensible Doctrine of Misuse, supra note 6, at 45–46 (noting that per Dawson Chem., patentees can tie nonstaple articles without having to show any "special justification"). In his call for an adjusted misuse doctrine, Kobak further argues that parties "accused of misuse should also be permitted to defend the use of a tie-in . . . by showing that it is necessary to achieve legitimate reward and expansion of output." Id. at 45.

46. The amendments added these items to the list of conduct that does not constitute misuse:

(4) refused to license or use any rights to the patent; or
(5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

35 U.S.C. § 271(d) (1988); accord Kobak, A Sensible Doctrine of Misuse, supra note 6, at 23 (discussing the 1988 amendments and noting that before the amendments, "[p]atentees chafed for years under the harshness and uncertainty of the misuse doctrine").

47. See Dawson Chem., 448 U.S. at 194 ("Although none of these decisions purported to cut back on the doctrine of contributory infringement itself, they were generally perceived as having that effect, and how far the developing doctrine of patent misuse might extend was a topic of some speculation among members of the patent bar."); Kobak, The Misuse Defense, supra note 37, at 7–11 (noting that some commentators called for the rejection of patent misuse altogether and that others argued it provided a "windfall for patent infringers").

48. Kobak, A Sensible Doctrine of Misuse, supra note 6, at 23.
of market power, a patentee may continue using tying arrangements for staple and nonstaple articles, thus giving the patentee broad rights. But while patent misuse is narrowing, copyright misuse is seemingly on the rise.50

2. Courts Adopt Misuse for Copyrights

a. The Early Years

In 1948, one court lifted the misuse defense from the world of patents, and applied it to copyrights. Despite important differences in these two types of intellectual property, a Minnesota district court saw an opportunity to punish a copyright holder for what it believed was anticompetitive behavior.52 In *M. Witmark & Sons v. Jensen*, the owner of copyrights on music used in films required theater owners to obtain blanket licenses of numerous musical compositions, in addition to the film licenses, before showing the movies.53 The court agreed with the defendants that the plaintiffs were using their copyrights on the music (which they had licensed to the film producers) to get monopolies on the films as well.54 If the plaintiffs desired, they could refuse to license the music to theater owners, thereby preventing the theaters from showing the movies over which the plaintiffs owned no copyrights.55 Although not calling it misuse, the court refused to find the defendants liable for infringement due to the plaintiff's "unclean hands"—here, the extension of its copyrights.56

49. Id. at 24.

50. See Victoria Smith Ekstrand, *Protecting the Public Policy Rationale of Copyright: Reconsidering Copyright Misuse*, 11 COMM. L. & POL'Y 565, 587 (2006) (analyzing various cases and offering the hope that the pendulum is swinging back in favor of defendants).

51. See infra Part III.D.


53. Id. at 844–45.

54. Id. at 849–50.

55. Id. at 846.

56. Id. at 850. The Court noted "'[i]t is a principle of general application that courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest.'"
b. Lasercomb

Between 1948 and 1990, various courts discussed misuse, but the defense was not widely accepted. See Broad. Music, Inc. v. Columbia Broad. Sys., Inc., 441 U.S. 1, 24 (1979) (assuming that reversal of antitrust claims necessitated reversing the "copyright misuse judgment dependent upon it"); United Tel. Co. of Mo. v. Johnson Publ’g Co., 855 F.2d 604, 612 (8th Cir. 1988) (assuming arguendo that copyright misuse might be a viable affirmative defense, but holding it inapplicable in the current case); Supermarket of Homes, Inc. v. San Fernando Valley Bd. of Realtors, 786 F.2d 1400, 1408 (9th Cir. 1986) (recognizing that using a copyright to defraud the public might constitute misuse but finding insufficient facts in the case at bar to support a finding of misuse); F.E.L. Publ’ns Ltd. v. Catholic Bishop of Chi., No. 81-1333, 1982 WL 19198, at *5 n.9 (7th Cir. Mar. 25, 1982) ("Dismissal of a copyright claim for misuse is an equitable defense which requires a balancing of equities. We think that in this case, the scales are tipped in [the copyright owner’s] favor."); Edward B. Marks Music Corp. v. Colo. Magnetics, Inc., 497 F.2d 285, 291 (10th Cir. 1974) (finding no misuse and noting "[a]s the defendants’ piracy is unmistakably clear, while the plaintiffs’ infraction of the anti-trust laws is doubtful and at most marginal, we think the enforcement of the first policy should outweigh enforcement of the second." (quoting Alfred Bell & Co. v. Catalda Fine Arts, Inc., 191 F.2d 99 (2d Cir. 1919))); Hutchinson Tel. Co. v. Fronteer Directory Co. of Minn., 640 F. Supp. 386, 391 (D. Minn. 1986) (conflating a claim for misuse into a claim for antitrust violations and finding those violations unproven); Broad. Music, Inc. v. Niro’s Palace, Inc., 619 F. Supp. 958, 963 (N.D. Ill. 1985) (finding insufficient facts to support a claim for copyright misuse in the context of a blanket license to a bowling alley); Peter Pan Fabrics, Inc. v. Candy Frocks, Inc., 187 F. Supp. 334, 336 (S.D.N.Y. 1960) (refusing to recognize misuse and noting "[i]f, indeed, plaintiffs had violated the antitrust laws by their trade practices, which the court does not find to be true, in this case it would not be a defense to an action for copyright infringement"); Greenbie v. Noble, 151 F. Supp. 45, 62 (S.D.N.Y. 1957) ("Consequently, it cannot be said that plaintiff used her copyright as a means of extending it beyond its proper scope or that she did in fact enlarge the copyright monopoly so as to embrace features not covered by the copyright."); see also Kobak, A Sensible Doctrine of Misuse, supra note 6, at 24.

57. See Broad. Music, Inc. v. Columbia Broad. Sys., Inc., 441 U.S. 1, 24 (1979) (assuming that reversal of antitrust claims necessitated reversing the "copyright misuse judgment dependent upon it"); United Tel. Co. of Mo. v. Johnson Publ’g Co., 855 F.2d 604, 612 (8th Cir. 1988) (assuming arguendo that copyright misuse might be a viable affirmative defense, but holding it inapplicable in the current case); Supermarket of Homes, Inc. v. San Fernando Valley Bd. of Realtors, 786 F.2d 1400, 1408 (9th Cir. 1986) (recognizing that using a copyright to defraud the public might constitute misuse but finding insufficient facts in the case at bar to support a finding of misuse); F.E.L. Publ’ns Ltd. v. Catholic Bishop of Chi., No. 81-1333, 1982 WL 19198, at *5 n.9 (7th Cir. Mar. 25, 1982) ("Dismissal of a copyright claim for misuse is an equitable defense which requires a balancing of equities. We think that in this case, the scales are tipped in [the copyright owner’s] favor."); Edward B. Marks Music Corp. v. Colo. Magnetics, Inc., 497 F.2d 285, 291 (10th Cir. 1974) (finding no misuse and noting "[a]s the defendants’ piracy is unmistakably clear, while the plaintiffs’ infraction of the anti-trust laws is doubtful and at most marginal, we think the enforcement of the first policy should outweigh enforcement of the second.” (quoting Alfred Bell & Co. v. Catalda Fine Arts, Inc., 191 F.2d 99 (2d Cir. 1919))); Hutchinson Tel. Co. v. Fronteer Directory Co. of Minn., 640 F. Supp. 386, 391 (D. Minn. 1986) (conflating a claim for misuse into a claim for antitrust violations and finding those violations unproven); Broad. Music, Inc. v. Niro’s Palace, Inc., 619 F. Supp. 958, 963 (N.D. Ill. 1985) (finding insufficient facts to support a claim for copyright misuse in the context of a blanket license to a bowling alley); Peter Pan Fabrics, Inc. v. Candy Frocks, Inc., 187 F. Supp. 334, 336 (S.D.N.Y. 1960) (refusing to recognize misuse and noting "[i]f, indeed, plaintiffs had violated the antitrust laws by their trade practices, which the court does not find to be true, in this case it would not be a defense to an action for copyright infringement"); Greenbie v. Noble, 151 F. Supp. 45, 62 (S.D.N.Y. 1957) ("Consequently, it cannot be said that plaintiff used her copyright as a means of extending it beyond its proper scope or that she did in fact enlarge the copyright monopoly so as to embrace features not covered by the copyright."); see also Kobak, A Sensible Doctrine of Misuse, supra note 6, at 24.

industry. It licensed the program to a competitor who promptly circumvented the technological protection measures that were in place and created its own version of the software. The competitor went beyond simply copying the software and also removed the firewall protection, yet fraudulently told Lasercomb it was still in place.

The licensees in Lasercomb did not dispute that they had “engaged in unauthorized copying” and “deceptive practices.” Yet the licensees raised copyright misuse as an affirmative defense, pointing to a restrictive provision in the license where Lasercomb forbade its licensees from creating competing software, even software that would not infringe its copyright. Interestingly, the licensees in the current case had never actually signed the license and thus were not restricted by its terms.

The Fourth Circuit first clarified that indeed, the copyright misuse defense exists and then traced its origins from patent law. The court noted, however, that until that time, only one court had found a violation of copyright misuse—in M. Witmark & Sons—and that some uncertainty existed among the circuits given the lack of the Supreme Court’s stamp of approval. The court went on to explain that a defendant claiming misuse need not meet the high burden of proving an antitrust violation, but need only to show the conduct that violated the spirit of the copyright grant. The court further opined that although the defendants themselves were not subject to the illegal license, they could still assert—and win—the copyright misuse claim. This created the anomaly that even a

59. Id. at 971.
60. Id.
61. Id. at 971–72.
62. Id. at 971.
63. Id. at 972.
64. Lasercomb, 911 F.2d at 973. The defendants did show that at least one licensee had signed the contract and entered into the unfair license. Id.; see also Carole Jeffery, Copyright Misuse: A Defense Whose Time Has Come?, 27 COLO. LAW. 143, 143 (1998).
65. Lasercomb, 911 F.2d at 973.
66. Id. at 976 (citing M. Witmark & Sons v. Jensen, 80 F. Supp. 843 (D. Minn. 1948)).
67. Id. at 977.
68. Id. at 979.
party who was not harmed by the license had standing to allege misuse. Thus, plaintiff Lasercomb was unable to sue anyone for copyright infringement during the period its anticompetitive licenses were in use.

c. Copyright Misuse Catches On . . . Or Does It?

After Lasercomb, courts were more receptive to the possibility, if not the finding, of copyright misuse.69 Indeed, while more and more courts pay lip service to the existence of copyright misuse, they rarely sustain a claim for it.70 Initially, courts seemed hesitant to create a new body of law where antitrust already provided a remedy. In Saturday Evening Post Co. v. Rumbleseat Press, Inc., the Seventh Circuit noted that examining clauses for arguable restraint of trade was best done through the antitrust laws.71 Other cases explicitly questioned whether copyright misuse was a defense, and if it was, whether it would necessarily rely on patent misuse for procedural and substantive characteristics.72

69. See Ekstrand, supra note 50, at 586–87 (reporting that courts rarely find for the defendant on misuse claims and that the doctrine is analyzed narrowly to include primarily antitrust violations).

70. See Ralph D. Clifford, Simultaneous Copyright and Trade Secret Claims: Can the Copyright Misuse Defense Prevent Constitutional Doublethink?, 104 DICK. L. REV. 247, 262 (2000) ("Of the cases recognizing the existence of the copyright misuse defense, only a minority have found that misuse was factually established at trial."); Ekstrand, supra note 50, at 569 (noting that four circuits have recognized copyright misuse).

71. Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191, 1200 (7th Cir. 1987). At least at that point in time, Judge Poser was skeptical of copyright misuse claims outside antitrust:

"If misuse claims are not tested by conventional antitrust principles, by what principles shall they be tested? Our law is not rich in alternative concepts of monopolistic abuse; and it is rather late in the date to try to develop one without in the process subjecting the rights of patent holders to debilitating uncertainty." This point applies with even greater force to copyright misuse, where the danger of monopoly is less. Id. (quoting USM Corp. v. SPS Techs., 694 F.2d 505, 512 (7th Cir. 1982)).

72. See Reed-Union Corp. v. Turtle Wax, Inc., 77 F.3d 909, 913 (7th Cir. 1996) (questioning whether copyright misuse was a viable defense in that circuit and noting that patents are generally more valuable than copyrights because they exclude all competition, whether independently created or copied).
Gradually, some circuits began accepting copyright misuse. The Ninth Circuit explicitly recognized it in *Practice Management Information Corp. v. American Medical Ass'n*. There, the AMA created a coding system for medical procedures for use in completing insurance forms. The AMA licensed its system to a third party and included in the license a clause that forbade it from using competitors’ products. The defendant, a potential licensee who failed to get the deal it desired, sued the AMA, citing the third party’s license. The court found that because the AMA entered into an anticompetitive license with someone, even though that someone was not the defendant, its copyright was unenforceable for the period that the license was in place. Amazingly, the third party licensee, not the copyright holder, suggested the anticompetitive clause, but the court held this was irrelevant and that the license “gave the AMA a substantial and unfair advantage over its competitors.”

The Seventh Circuit has approvingly discussed misuse, but has held a high bar for proving it. In *Ty, Inc. v. Publications International Ltd.*, the court hinted that asserting editorial control over a licensee to prevent criticisms protected by the First Amendment might flirt with copyright misuse. Further, in *Assessment Technologies of Wisconsin, LLC v. WIREdata, Inc.*, the Seventh Circuit spoke generally about the existence of a misuse defense, but noted that in the case at bar, there were insufficient facts to require “run[ning] that hare to the ground.”

---

74. *Id.* at 517.
75. *Id.* at 517–18.
76. *Id.* at 518.
77. *Id.* at 521.
78. *Id.*
80. Assessment Techs. of Wis., LLC v. WIREdata, Inc., 350 F.3d 640, 647 (7th Cir. 2003). In *WIREdata*, the plaintiff copyright holder created a database and held a copyright in the compilation. *Id.* at 642. The defendant tried to obtain the individual records but could not do so without allegedly infringing the compilation. *Id.* The court avoided the misuse question and held, ala *Feist*, that because the plaintiff did not have a copyright in the underlying data, it was possible for the defendant to extract the data without infringing the copyrighted
other circuits have recognized the defense in the abstract, but failed to find it based on the facts presented. Notably, the Supreme Court has never explicitly recognized copyright misuse.

B. When Does Copyright Misuse Apply?

There has been much debate and uncertainty amongst the circuits regarding whether and how copyright misuse should apply. Some courts see misuse as parallel to antitrust claims, and thus require defendants to reach that level of anticompetitive behavior. Others extend the misuse defense to situations where the copyright owner's behavior violates some policy inherent in copyright law. Of course, this has created confusion over what those polices are and how one might violate them.

1. Antitrust

Since its early Lasercomb days, copyright misuse, drawing from patent misuse, has been regarded as applying where a copyright owner has engaged in behavior that violates the antitrust laws. To prove an antitrust violation, the defendant must show: "1) a pattern of conduct by plaintiff in restraint of trade, and 2) that this

arrangement. *Id.* at 644, 647.


83. *See infra* notes 85-104 and accompanying text.

84. *See infra* notes 105-135 and accompanying text.

85. *See* Lasercomb Am., Inc. v. Reynolds, 911 F.2d. 970, 978 (4th Cir. 1990).
restraint is unreasonable." This is typically a fairly high burden. Many antitrust-style or anticompetitive situations can be categorized into a few main types. These constitute situations where courts will likely find copyright misuse. Of course, some of this conduct does not fully rise to the level of an antitrust violation—but courts consider it as effectively anticompetitive behavior in that it violates the "spirit of the law."

a. Tying

Tying refers to allowing the license or sale of a copyrighted product only on the condition that some public domain work is also purchased or licensed. In Morton Salt, an arrangement tying a patented machine to unpatented parts led the court to find a per se case of patent misuse. In Service & Training, Inc. v. Data General Corp., the Fourth Circuit addressed a claim of tying and misuse in the copyright realm. There, the defendant claimed that the plaintiff required any purchase of its copyrighted software to be accompanied by the purchase of its support services. Ultimately the defendant's case failed because of an evidentiary problem—it could not show any explicit agreement tying the products. It seems likely, however, that where a court finds a

86. Scher, supra note 20, at 97.
87. See id. at 97–98 (calling the burden of proof required for misuse—as compared to that required for antitrust claims—"much easier").
88. See Serv. & Training, Inc. v. Data Gen. Corp., 963 F.2d 680, 683 (4th Cir. 1992). The court recited the requirements of a tying claim:
To establish a per se tying claim under section 1 [of the Sherman Act], a plaintiff must prove (1) the existence of two separate products, (2) an agreement conditioning purchase of the tying product upon purchase of the tied product (or at least upon an agreement not to purchase the tied product from another party), (3) the seller's possession of sufficient economic power in the tying product market to restrain competition in the tied product market, and (4) a not insubstantial impact on interstate commerce.
Id. (citations omitted).
91. Id. at 683.
92. Id. at 686–87.
tying arrangement that violates the Sherman Act, it will probably also find copyright misuse.\textsuperscript{93}

\textit{b. Blanket Licensing}

A blanket license forces a licensee to purchase rights not only to the desired copyrighted works, but also to less desirable works, or even to works in the public domain.\textsuperscript{94} For example, in \textit{F.E.L. Publications Ltd. v. Catholic Bishop of Chicago}, the plaintiff owned copyrights on various liturgical hymns that it licensed to churches.\textsuperscript{95} The plaintiff brought suit alleging that the Catholic Church in Chicago was publishing and distributing infringing copies of its songs.\textsuperscript{96} The defendant Church sought summary judgment for copyright misuse because the plaintiff required a lump sum purchase of all 1400 of its songs, even if a licensee wanted only a few “blockbusters.”\textsuperscript{97} The court sustained the claim of misuse based on the blanket license (this was reversed on this claim).\textsuperscript{98} The Supreme Court has also held that blanket licenses in the copyright context are violative of antitrust, if not specifically copyright misuse.\textsuperscript{99}

\textsuperscript{93} In patent law, tying constitutes misuse only if the patentee has market power in the item. See 35 U.S.C. § 271(d) (2000); Kobak, \textit{A Sensible Doctrine of Misuse}, supra note 6, at 45–46 (discussing the requirement of market power and noting that copyright law currently has no such requirements); cf. Scher, \textit{supra} note 20, at 105 (proposing a new test for copyright misuse and arguing that any tying of an uncopertighted work to a copyrighted work would constitute misuse).

\textsuperscript{94} See Michael J. Meurer, \textit{Vertical Restraints and Intellectual Property Law: Beyond Antitrust}, 87 \textit{MINN. L. REV.} 1871, 1904–05 (2003) (discussing such blanket licenses or “packaging” agreements which force licensees to “take a package of products or licenses”). Professor Meurer notes that “mandatory packages are profitable because they reduce enforcement or other transaction costs, or because they implement price discrimination.” \textit{Id.} at 1904.

\textsuperscript{95} \textit{F.E.L. Publ’ns Ltd. v. Catholic Bishop of Chi.}, 506 F. Supp. 1127 (N.D. Ill. 1981).

\textsuperscript{96} \textit{Id.} at 1129.

\textsuperscript{97} \textit{Id.} at 1132.

\textsuperscript{98} \textit{Id.}

c. Tie-outs

Some companies have formulated licenses that prohibit licensees from using competitors’ products—tie-outs. As noted above, in *Practice Management*, the court found misuse where the AMA included a clause in its license barring the licensee from using any other coding processes.\(^\text{100}\) The court was not persuaded by the AMA’s arguments that the defendant was not a party to such a license,\(^\text{101}\) nor that the AMA had not even suggested the license terms at issue.\(^\text{102}\) Courts consider this prohibition on using competitors’ products to be misuse.

*Lasercomb*, also discussed above, involved a similar kind of tie-out. There, the licensor prohibited the licensee from creating its own competing product, even using independent creation methods.\(^\text{103}\) The court found this behavior a misuse of copyright because it unfairly restrained competition.\(^\text{104}\) It is interesting to note that *Practice Management* and *Lasercomb* are some of the only cases where the court actually found misuse by the copyright owner. While the other categories of potential misuse have generated implicit approval from courts, most never amount to an actual misuse. Thus, tie-outs seem to be the most certain situation where a court will find that copyright misuse exists.

2. The Policies Behind Copyright

While courts initially focused on antitrust violations as indicative of copyright misuse, some latched on to the equitable roots of misuse and found that it includes conduct that violates the policies behind the scope of the copyright grant. In *Lasercomb*, the Fourth Circuit broadened the defense:

---

101. *Id.*
102. *Id.*
103. *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 978 (4th Cir. 1990) (reporting that the license “essentially attempts to suppress any attempt by the licensee to independently implement the idea which [the licensed software] expresses”).
104. *Id.* at 979.
So while it is true that the attempted use of a copyright to violate antitrust law probably would give rise to a misuse of copyright defense, the converse is not necessarily true—a misuse need not be a violation of antitrust law in order to comprise an equitable defense to an infringement action. The question is not whether the copyright is being used in a manner violative of antitrust law (such as whether the licensing agreement is ‘reasonable’), but whether the copyright is being used in a manner violative of the public policy embodied in the grant of a copyright.\textsuperscript{105}

Thus, the Lasercomb court opened the door to speculation about the nature and scope of these public policies behind copyright grants.\textsuperscript{106}

Other courts have adopted this expanded view of misuse. In \textit{qad, inc. v. ALN Associates, Inc.}, the copyright holder fraudulently obtained a copyright over software that it had partially copied from another work.\textsuperscript{107} It then used that copyright as grounds to sue a competitor for infringement and successfully preliminarily enjoined the competitor from selling its product.\textsuperscript{108} The court found this was an “egregious” misuse and held the plaintiff’s copyright unenforceable.\textsuperscript{109} The misuse stemmed from the fraudulent use of a copyright to gain control over works in which it had no rights.\textsuperscript{110} Thus, the plaintiff’s conduct went beyond the scope of its copyright and the court held that it violated the policy

\textsuperscript{105} \textit{Id.} at 978.

\textsuperscript{106} \textit{Cf.} Shubha Ghosh, \textit{When Exclusionary Conduct Meets the Exclusive Rights of Intellectual Property: Morris v. PGA Tour and the Limits of Free Riding as an Antitrust Business Justification}, 37 LOY. U. CHI. L.J. 723, 750 (2006) (criticizing copyright holders who complain about “free riding” as “disguis[ing] the question of entitlement and assum[ing] that the creator is entitled to completely appropriate the value of what she has created”).

\textsuperscript{107} \textit{qad, inc. v. ALN Assocs., Inc.}, 770 F. Supp. 1261, 1266 (N.D. Ill. 1991).

\textsuperscript{108} \textit{Id.} at 1270.

\textsuperscript{109} \textit{Id.} at 1267.

\textsuperscript{110} \textit{Id.}
of promoting the progress of science. That is, when the plaintiff used its copyright to force another author to cease creating even though it had no such rights, it lost the ability to enforce its copyright.

Another situation that potentially violates a copyright policy is where a copyright holder attempts to assert editorial control over criticisms of its work. In *Ty, Inc.*, Judge Posner examined the issue of collectors’ guides.* The plaintiff held a copyright on some plush toys as sculptural works, and thus contended that the photographs of the toys in unauthorized collectors’ guides were infringing derivative works. The court drew attention to the plaintiff’s practice of granting licenses for such collectors’ guides only to licensees who gave the plaintiff final editorial control. The licenses also required the licensee to include blatantly fraudulent material in its guides such as denying they were licensees and stating that the plaintiff had no editorial control. While misuse did not officially play a role in the decision, the court toyed with the idea, noting, “[w]e need not consider whether such a misleading statement might constitute copyright misuse, endangering [the plaintiff’s] copyrights.” The court reminded the parties that fair use protects criticisms of copyrighted works.

Similarly, in *Video Pipeline, Inc., v. Buena Vista Home Entertainment, Inc.*, the court considered whether Disney’s use of licenses that prohibited licensees from making critical comments

111. *Id.* at 1270.
112. *Ty, Inc. v. Publ’ns Int’l, Ltd.*, 292 F.3d 512 (7th Cir. 2002).
113. *Id.* at 515.
114. *Id.* at 520.
115. *Id.* The court discussed Ty’s conduct:
Ty doesn’t like criticism, and so the copyright licenses that it grants to those publishers whom it is willing to allow to publish Beanie Baby collectors’ guides reserve to it the right to veto any text in the publishers’ guides. It also forbids licensees to reveal that they are licensees of Ty. Its standard licensing agreement requires the licensee to print on the title page and back cover of its publication the following misleading statement: “This publication is not sponsored or endorsed by, or otherwise affiliated with Ty, Inc.”

*Id.*
116. *Id.* at 520.
117. *Id.*
about Disney on their websites was copyright misuse.\textsuperscript{118} However, the Third Circuit ultimately held that while the First Amendment protected criticism, prohibiting such criticism only on one particular website was not misuse.\textsuperscript{119} Thus, whether trying to override fair use and free speech policies constitutes misuse remains an open question.\textsuperscript{120}

Other copyright holders have been accused of trying to monopolize areas outside the scope of their copyright using the Digital Millennium Copyright Act (DMCA).\textsuperscript{121} The DMCA was enacted in 2001 to prohibit the unauthorized circumvention of digital controls used to protect a copyrighted work.\textsuperscript{122} The DMCA was aimed at protecting content providers like movie studios, who were having difficulty preventing piracy of their digitally encrypted works such as DVDs and CDs.\textsuperscript{123}

Another set of copyright holders, those copyrighting software programs used inside products like printer cartridges and garage

\begin{footnotesize}
\begin{enumerate}[\textsuperscript{118}]
\item Video Pipeline, Inc., v. Buena Vista Home Entm’t, Inc., 342 F.3d 191 (3d Cir. 2003). Disney included this language in its licenses for movie trailers: The Website in which the Trailers are used may not be derogatory to or critical of the entertainment industry or of [Disney] (and its officers, directors, agents, employees, affiliates, divisions and subsidiaries) or of any motion picture produced or distributed by [Disney] . . . [or] of the materials from which the Trailers were taken or of any person involved with the production of the Underlying Works. Any breach of this paragraph will render this license null and void and Licensee will be liable to all parties concerned for defamation and copyright infringement, as well as breach of contract. Id. at 203 (alterations in original).

\item Id. at 206. The court was convinced that the licensees could use other venues to express their dislike of Disney or could probably even criticize Disney without violating the copyright by asserting the defense of fair use. See id.

\item Cf. JuNelle Harris, Beyond Fair Use: Expanding Copyright Misuse to Protect Free Speech, 13 TEX. INTELL. PROP. L.J. 83, 109 (2004) (“Thus, while its contours remain at present uncertain as a limiting doctrine, copyright misuse has the potential to protect important First Amendment interests that are underserved by current fair use analysis.”).


\item Id.; see also Marcus Howell, The Misapplication of the DMCA to the Aftermarket, 11 B.U. J. SCI. & TECH. L. 128, 129 (2005).

\item See, e.g., Universal City Studios v. Corley, 273 F.3d 429, 436 (2d Cir. 2001).
\end{enumerate}
\end{footnotesize}
door openers, tried to assert DMCA claims against competitors who circumvented the technological protections encrypting the software programs in order to create interoperable replacement parts. These plaintiff companies argued that the DMCA created a cause of action beyond mere infringement, adding a right of access to the copyright owner's bundle of rights. Thus, they argued that they were not attempting to expand their copyrights, but were instead trying to take advantage of a right bestowed on them, and on other copyright holders, by Congress. Both appellate courts who reviewed such claims rejected them, although for somewhat inconsistent reasons.

In *Lexmark International, Inc. v. Static Control Components, Inc.*, the court held that the technological measure did not effectively control access because it was easily accessible by a consumer. Thus, the DMCA was inapplicable. In *Chamberlain Group, Inc. v. Skylink Technologies, Inc.*, the court rejected any claim that the DMCA added an additional right, but insisted that the DMCA merely created an additional cause of action for liability. Importantly, the court also required a showing of infringement, and opined that Congress certainly could not have intended to separate access from infringement. Finally, it held that consumers and competitors alike had the right to access the copyrighted program, and thus, that the circumvention of the technological measures was not "unauthorized" as the DMCA

---


125. See *Chamberlain*, 381 F.3d at 1193–94.

126. *Id.*

127. *Lexmark*, 387 F.3d at 548. The court noted:

> Just as one would not say that a lock on the back door of a house "controls access" to a house whose front door does not contain a lock and just as one would not say that a lock on any door of a house "controls access" to the house after its purchaser receives the key to the lock, it does not make sense to say that this provision of the DMCA applies to otherwise-readily-accessible copyrighted works.

*Id.* at 547.


129. *Id.* at 1197.
required.\textsuperscript{130}

The \textit{Chamberlain} court cautioned that "Chamberlain's interpretation of the DMCA would therefore grant manufacturers broad exemptions from both the antitrust laws and the doctrine of copyright misuse."\textsuperscript{131} The court noted that an original equipment manufacturer (OEM)\textsuperscript{132} could add a trivial copyrighted program to any item, encrypt it, and effectively prohibit competitors from reverse engineering an interoperable part.\textsuperscript{133} It seems likely that this fear of patent-like control for a lengthy copyright term pushed the court to stretch the interpretation of the DMCA.\textsuperscript{134} Thus, while the courts did not find violations of copyright misuse, they alluded that a violation might occur if plaintiffs pushed their DMCA claims further.\textsuperscript{135}

Thus, misuse may apply where a copyright holder violates well-settled antitrust law, but it may also be asserted where the holder more generally overreaches its grant. Once a court has determined that a misuse violation has occurred, there are numerous procedural details to consider. Who has standing to assert a misuse defense and how extensive it is in terms of scope and time are questions that are considered in the next Section.

\textsuperscript{130} Id. at 1202.

\textsuperscript{131} Id. at 1193.

\textsuperscript{132} See Paul R. Kitch, \textit{DMCA is OEMs Ticket to "Super-Patenting" the Unpatentable}, 17 INTELL. PROP. & TECH. L.J. 5, 5 (2005) (describing original equipment manufacturers).

\textsuperscript{133} \textit{Chamberlain}, 381 F.3d at 1201; cf: Margaret M. Dolan, \textit{The DMCA and Original Equipment Manufacturers: Let Consumers Decide}, 56 DEPAUL L. REV. 153 (2006) (arguing that the \textit{Lexmark} and \textit{Chamberlain} courts misapplied the DMCA and that the policy implications of the correct interpretation may not be as dire as most commentators believe).

\textsuperscript{134} It also seems somewhat disingenuous given that neither party discussed these implications at oral argument. Karl Fink, counsel for Chamberlain, Presentation to Advanced Copyright Seminar (Nov. 16, 2006).

\textsuperscript{135} See Jacqueline Lipton, \textit{The Law of Unintended Consequences: The Digital Millennium Copyright Act and Interoperability}, 62 WASH. & LEE L. REV. 487, 540 (2005) ("However, there is, as yet, no clear legislative or judicial guidance as to whether a copyright misuse claim might validly be raised as a defense in a DMCA infringement action.").
C. How does Misuse apply?

The procedural and substantive details and effects of copyright misuse take their cues from patent law. Where a copyright holder is found liable for misuse, the copyright is not invalid, but it is unenforceable against anyone during the period of misuse. The copyright will not be enforceable again until the effects of the misuse have been purged. Thus, the copyright holder must stop the anticompetitive behavior or somehow rectify the public policies it is violating.

Further, because misuse is purportedly a defense for the public good, where a copyright holder has harmed the public, any defendant can assert the defense. Therefore, there is no requirement that the defendant asserting misuse must have been personally harmed. It also appears that the defendant itself need not have clean hands in order to assert copyright misuse. This

136. See Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 979 n.22 (4th Cir. 1990) ("This holding of course, is not an invalidation of Lasercomb's copyright. Lasercomb is free to bring a suit for infringement once it has purged itself of the misuse.").

137. Kobak, The Misuse Defense, supra note 37, at 8, 21 (discussing patent misuse and the question of whether and when purge has occurred); cf. Mark A. Lemley, Comment, The Economic Irrationality of the Patent Misuse Doctrine, 78 CAL. L. REV. 1599, 1613 (1990) ("The doctrine applies to a misusing patentee until she ceases her misuse and the consequences of that misuse are 'fully dissipated.'") (quoting B.B. Chem. Co. v. Ellis, 314 U.S. 495, 498 (1942)).

138. Cf. Harris, supra note 120, at 115 (discussing the difficulty in determining what constitutes purge, especially in the context of conduct violating the policies behind copyright law).

139. See Lasercomb, 911 F.2d at 979.

140. See Alcatel USA, Inc. v. DGI Techs., Inc., 166 F.3d 772, 794 (5th Cir. 1999). There, the Fifth Circuit rejected the claim that the defendant, who stole trade secrets to reverse engineer a competing project, could not assert copyright misuse:

In the instant case, it is DSC which seeks equitable relief in the form of an injunction, and thus it is DSC's hands alone that must pass the hygenic [sic] test. By misusing its software copyright, DSC sullied its hands, barring itself from obtaining the equitable reward of injunction on grounds of copyright infringement. This does not mean that we repudiate the jury's finding of unclean hands on the part of DGI. Indeed, the
seemingly opens the misuse defense to a huge number of defendants.

In sum, copyright misuse was lifted from the world of patents, and creates an incredible shield for a potential infringer. While patent misuse seemingly narrows by the day, commentators and judges continue to make noise about broadening the application of copyright misuse. But with all the fuss, why have so few courts actually found copyright misuse violations? Part III analyzes some of the reasons why copyright misuse is simply not a viable defense and argues that courts should cease recognizing it.

III. COURTS SHOULD REJECT COPYRIGHT MISUSE

Because this Article suggests that courts should not recognize copyright misuse as a valid affirmative defense, this Part presents various reasons why copyright misuse is either not protecting the correct people and property, or is inappropriate based on other legal principles and policies. First, it examines the economic incentives of the parties involved in copyright misuse claims. Further, it analyzes the issue of standing and why courts allow defendants who have not been injured to assert a misuse claim. Other policies to consider in addressing copyright misuse include the subjective character of the analysis. Additionally, this Part considers the similarities and differences in patents and copyrights and discusses whether it makes sense to simply transfer a defense from one area to the other. Finally, because the contracts at issue are often arranged by sophisticated parties, this Part contends that courts should uphold them to the extent allowed by contract law.

141. See Ekstrand, supra note 50, at 579.
142. See infra notes 147-68 and accompanying text.
143. See infra notes 169-86 and accompanying text.
144. See infra notes 187-203 and accompanying text.
145. See infra notes 204-23 and accompanying text.
146. See infra notes 224-49 and accompanying text.
A. Copyright Misuse Provides Ill-Advised Economic Incentives

In the context of patent misuse, Congress and the courts have been narrowing the doctrine since it first arrived on the scene.\(^{147}\) Thus, although initially Congress was persuaded that this judicially created doctrine deserved codification, it has continually amended the statute to include specific instances of conduct which do not constitute patent misuse.\(^{148}\) In a recent case, the Supreme Court effectively overruled part of Morton Salt and, relying on amendments to 35 U.S.C. § 271(d), noted that a mere tying arrangement does not constitute a per se antitrust violation.\(^{149}\) Instead, the Court held that a challenger must prove market power to succeed with such a claim.\(^{150}\)

Why is this narrowing occurring? One potential reason is that courts and legislators have begun to realize that the misuse doctrine provides absurd incentives for potential infringers. Professor Mark Lemley put this succinctly:

[T]he patent misuse doctrine is available only as an affirmative defense in infringement cases. Patentees cannot be sued for misuse or enjoined from misusing their patents. . . . Since patentees have no reason to sue noninfringing third parties for infringement, only patent infringers benefit from the doctrine. In addition, since there is no requirement that the misuse have harmed the infringer using the defense, the patent misuse doctrine benefits any infringer whose patentee has committed misuse.\(^{151}\)

Thus, as demonstrated in the introductory hypothetical, a

\(^{147}\) Lemley, supra note 137, at 1610 (describing patent misuse as “a common law doctrine that continues to exist alongside statutory patent law, but [whose] parameters have been expressly limited by statute”).


\(^{150}\) Id.

\(^{151}\) Lemley, supra note 137, at 1610; see also infra Part III.B (discussing standing).

Published by Via Sapientiae, 2016
licensee who simply decides that it no longer wants to pay for the product, or who subsequently discovers an easy way to copy the work at issue, can search its license for clauses and terms that violate the scope of the copyright grant. And because the defendant need not be personally harmed, the infringer can even search the licenses of others. If it finds such a term, the licensee can subsequently infringe the copyright knowing that if the copyright holder brings suit, it can simply assert misuse as a defense.

Further, because antitrust and misuse are co-extensive, an accused infringer can assert misuse as a defense while counterclaiming for a breach of the antitrust laws. A copyright infringer who successfully asserts a misuse defense causes the copyright to be unenforceable for the period while the misuse is occurring. There is no assessment of the actual effect of the harm—this “blunt” approach is all that is available. Winning an antitrust claim, on the other hand, provides the infringer with money damages. Thus, assuming the party is truly infringing the copyright, he can obtain three benefits: free use of the copyright, unenforceability of the copyright against himself and others, and antitrust damages. It seems unlikely that courts want to reward the conduct of infringing defendants in this way.

One might argue that because copyright misuse is only an affirmative defense and not an independent claim, only those plaintiffs who bring suit against infringers will be liable. This

152. Lemley, supra note 137, at 1617 (“Since the misuse doctrine and the antitrust laws are driven by independent policies, recovery under one doctrine is no bar to recovery on independent grounds under the other, even though the underlying misuse by the patentee is the same.”).

153. Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 979 n.22 (4th Cir. 1990).


155. Lemley, supra note 137, at 1617 & n.119 (discussing the potential for treble damages in antitrust cases).

argument essentially implies that as long as the plaintiff doesn’t haul the defendant into court on infringement claims, it can continue its anticompetitive behavior. This leads to two interesting responses.

First, our litigation system is founded on the belief that plaintiffs who have a good-faith claim of wrongdoing should be permitted to argue their cases in court. We should not punish plaintiffs for trying to assert claims where they have a chance at succeeding. As discussed in Part IV, we already have civil penalties and ethical rules to punish those who bring illegitimate claims merely to harass a defendant. Indeed, the Noerr-Pennington doctrine recognizes the right of plaintiffs to bring good-faith lawsuits to enforce their rights.

Second, this result begs the question of why copyright misuse is recognized only as an affirmative defense. If it exists to prevent

157. For example, the Supreme Court has held that 17 U.S.C. § 505 supports an evenhanded approach to the awarding of attorneys’ fees in order to promote the assertion of meritorious claims and defenses in copyright cases. See generally Robert Aloysius Hyde & Lisa M. Sharrock, A Decade down the Road but Still Running Through the Jungle: A Critical Review of Post-Fogerty Fee Awards, 52 U. KAN. L. REV. 467 (2004).

158. See infra Part IV.B (discussing remedies like wrongful use of civil proceedings and abuse of process).

159. See Davis supra note 24, at 138 (2006) ("On the other hand, under the Noerr-Pennington doctrine, copyright owners can probably claim that they are immune from liability for copyright misuse where the alleged improper conduct is a lawsuit brought against a competitor seeking to enforce intellectual property rights.") (internal citation omitted). Davis also notes, however, that the Practice Management court denied the Noerr-Pennington justification. Id.; see also Practice Mgmt. Info. Corp. v. Am. Med. Assn., 121 F.3d 516, 521 (1997) (rejecting Noerr-Pennington defense because where copyright misuse does not require an antitrust violation, antitrust defenses need not be considered). Further, the Noerr-Pennington doctrine provides that “sham” litigation is not protected and thus, those who bring sham suits may be liable for abuse of process or another civil wrong. Davis, supra note 24, at 138.

160. Cf Jeffery, supra note 64, at 145 (1998) (discussing one of the only cases to address copyright misuse as an affirmative claim, Electronic Data Systems Corp. v. Computer Associates International, Inc., 802 F. Supp. 1463 (N.D. Tex. 1992), which allowed a misuse claim in a declaratory judgment proceeding). Although the court ultimately permitted the claim, because it was in a declaratory judgment non-infringement action, it seems essentially the same as asserting misuse as an affirmative defense to infringement.
harm to the public through nonenforcement of anticompetitive clauses, why should it be limited to the defensive position? Numerous commentators have insisted on the need for a copyright misuse defense because it covers violations that may not rise to the level of an antitrust violation. If such violations are so terrible, perhaps we should be allowing licensees or indeed, any member of the public, to affirmatively sue the copyright holder for misuse. But most courts addressing the issue have held that one may not affirmatively bring a claim of misuse. This demonstrates that courts do not think misuse is important enough to allow parties to assert it outside of an affirmative defense.

One might argue that we need these incentives and copyright misuse because most likely, the copyright holder or licensor is a big company trying to exert its unfair bargaining power over smaller licensees. These misuse claims typically arise in the context of software rather than in more “artistic” settings. Thus, the argument goes, without some protection, corporate copyright owners can run roughshod over the “little guy,” and do whatever they please. Further, if courts typically do not find actual cases of misuse, what is the harm in keeping the doctrine on the books?

But simply because a company is established and large does not mean it is breaking the laws. Further, this is certainly not always the setup in copyright law. It is not even always the case in patent law where the patentee might be a single inventor with a Fortune 500 company trying to buy out its product. Thus, in the context of copyrights, the owner may be a startup software company, a large conglomerate, a starving painter, or a record company.

161. See, e.g., Scher, supra note 20, at 101 (“Clearly, then, the defense of copyright misuse should be viewed separately from antitrust law.”); Kobak, A Sensible Doctrine of Misuse, supra note 6, at 49; Meurer, supra note 94, at 1872.


163. Of course, it is probably easier for even a solo inventor patentee to gain market power that he can exert over the licensor given the exclusive nature of patents versus copyrights.

164. See Fogerty v. Fantasy, Inc., 510 U.S. 517, 524 (1994). The Court there discussed the difference between cases brought in the Civil Rights context and
Where a copyright holder is a smaller entity than the defendant is, the misuse doctrine can potentially work against the policies it purports to advance. Thus, the big company can bully the licensor into dropping an infringement suit by attacking its, or any other, license. In fact, the big company can suggest anticompetitive terms to "trick" the copyright holder into misuse-worthy conduct. And per *Practice Management*, it is irrelevant to a finding of misuse which party to the contract suggested the anticompetitive terms.\(^\text{165}\) Providing such an infringer with another potential defense, even if it is eventually found inapplicable, can tie up the plaintiff in court for years. Bad-faith allegations of copyright misuse may require extensive documentation and studies about the anticompetitive effects and market power of the copyright. Thus, keeping the misuse doctrine provides another avenue for either a large or small defendant to use as a weapon to safeguard its free riding.

Finally, what about the economic incentives of the copyright holders? The utilitarian theory of copyright posits that we reward authors so that they continue to create.\(^\text{166}\) Thus, we must allow

---

those brought under copyright law:

The goals and objectives of the two Acts are likewise not completely similar. Oftentimes, in the civil rights context, impecunious "private attorney general" plaintiffs can ill afford to litigate their claims against defendants with more resources. Congress sought to redress this balance in part, and to provide incentives for the bringing of meritorious lawsuits, by treating successful plaintiffs more favorably than successful defendants in terms of the award of attorney's fees. The primary purpose of the Copyright Act is to encourage the production of original literary, artistic, and musical expression for the good of the public. In the copyright context, it has been noted that "entities which sue for copyright infringement as plaintiffs can run the gamut from corporate behemoths to starving artists; the same is true of prospective copyright defendants."


\(^{165}\) *Practice Mgmt. Info. Corp. v. Am. Med. Ass'n*, 121 F.3d 516, 520–21 (9th Cir. 1997).

copyright holders to reap the benefits of the copyright grant. One way to do this is for those authors to license their works to others. But if the threat of copyright misuse hangs in the air as some unknown potential hammer, potential authors (and their employers) may simply decide the supposed benefits are not worth the effort. That is, if we fail to recognize licenses between informed parties, innovation may decrease as authors find other, more secretive ways, to protect their works, or stop creating them altogether.

B. Copyright Misuse Ignores Typical Standing Requirements

That a defendant may assert copyright misuse as an affirmative defense even though it has not personally been injured is anomalous in the normal realm of civil litigation. Generally, for a plaintiff to bring suit, it must show that it personally has been injured and is not bringing a claim as a third party. Article III requires a "case or controversy" and thus, the plaintiff must show an injury, causation between that injury and the defendant's conduct, and the possibility that the harm can be redressed by suit. Further, for a private party to have standing to bring an antitrust claim under the Sherman Act or Clayton Act, that party must have been injured by the anticompetitive behavior. While

167. See Kobak, A Sensible Doctrine of Misuse, supra note 6, at 38–39 (calling the extensive misuse doctrine currently in place "over-deterring"). This over-deterner causes intellectual property owners to under utilize their monopoly grant.

168. See infra notes 267–68 and accompanying text.

169. See Valley Forge Christian Coll. v. Ams. United for Separation of Church and State, 454 U.S. 464 (1982); see also Warth v. Seldin, 422 U.S. 490, 499 (1975) ("[E]ven when the plaintiff has alleged injury sufficient to meet the 'case or controversy' requirement, this Court has held that the plaintiff generally must assert his own legal rights and interests, and cannot rest his claim to relief on the legal rights or interests of third parties.").


copyright misuse is an affirmative defense rather than an independent claim brought by a plaintiff, the same principles of standing should apply.\textsuperscript{172}

But as noted above, a defendant can assert copyright misuse even if it has not been harmed.\textsuperscript{173} Courts have sometimes allowed this \textquotedblleft representation standing.\textquotedblright\textsuperscript{174} For example, in \textit{Barrows v. Jackson}, a white homeowner was sued for breach of contract.\textsuperscript{175} The homeowner asserted an affirmative defense based on the racially restrictive covenant.\textsuperscript{176} Thus, although the homeowner was not personally harmed—since he was white—he could assert the rights of black homeowners because he had an interest in the litigation in that he might be forced to pay damages for breach of the racial covenant.\textsuperscript{177}

Admittedly, this might encompass some situations where copyright misuse arises. Where a licensee is being sued for breach of contract and he has indeed breached the contract, he will be liable for damages unless he can invalidate the contract through misuse. But this situation seems rare among the cases typically brought. Generally, defendants asserting misuse are being sued for copyright infringement. Such copyright rights are not encompassed in the license itself, but are statutorily based.\textsuperscript{178} That is, the infringement suit is not necessarily grounded in the license

\begin{itemize}
\item \textsuperscript{172} See Jeffery, \textit{supra} note 64, at 145 (noting the \textquotedblleft important distinction\textquotedblright between unclean hands and copyright misuse with regard to the lack of necessity of harm to the defendant). Jeffrey explains:

\begin{quote}
The defense of unclean hands in a copyright context traditionally required that the plaintiff's wrongdoing harm or prejudice the defendant in some way or that the plaintiff participate in the very act of infringement with which the defendant was charged. However, under the expansion of the doctrine in more recent cases to include a subcategory for the misuse defense, it is not necessary for the defendant to have been harmed by the practice challenged.
\end{quote}

\textit{Id.} (citations omitted).

\item \textsuperscript{173} See \textit{supra} notes 139-40 and accompanying text.


\item \textsuperscript{175} \textit{Barrows v. Jackson}, 346 U.S. 249 (1953).

\item \textsuperscript{176} Flint, \textit{supra} note 174, at 1049.

\item \textsuperscript{177} \textit{Id.}

\item \textsuperscript{178} See 17 U.S.C. § 106 (2000).
\end{itemize}
agreement. Thus, whether the license violates contract law should not affect whether or not the defendant is liable for infringement.

In trademark law, for example, the purpose of the doctrines and protections is to protect consumers from confusion.\textsuperscript{179} Certainly, trademark rights also help companies protect their goodwill,\textsuperscript{180} but the consumer protection purpose is typically held out as the most important.\textsuperscript{181} But note that under the Lanham Act, consumers do not have standing to bring an infringement suit.\textsuperscript{182} Thus in at least one area of intellectual property law, we do not allow the general public to bring an action to assert generalized societal harm.

Further, as discussed by Professor Lemley, the misuse remedy is unrelated to the actual injury.\textsuperscript{183} Thus while in antitrust cases, the remedy is proportional to the level of the damage caused, in misuse cases, there is but one remedy—the copyright is unenforceable—regardless of the effect of the misuse.\textsuperscript{184} There is no examination of the level of overreaching, the good faith (if any) of the copyright holder, or the injury to the defendant. Therefore, allowing one who has not personally been injured provides a windfall to that defendant, a windfall that is not even rationally


\textsuperscript{181} Horta, \textit{supra} note 179, at 117.


\textsuperscript{183} Lemley, \textit{supra} note 137, at 1616.

\textsuperscript{184} \textit{Id.} at 1617. Lemley discussed the inherent irrationality of this:

In a normal antitrust case, a successful plaintiff will recover damages that are related to the injury the defendant has inflicted on him. In any normal lawsuit, the goal is for damages paid to equal injuries inflicted. In the patent misuse case, on the other hand, the only goal is to determine liability. Once the plaintiff proves misuse, the remedy is set without any regard for injury to the infringer or to society.

\textit{Id.}
related to the amount of damage to the injured party.\textsuperscript{185}

One might argue that we already allow these types of claims without traditional standing in cases like inequitable conduct and fraud on the Patent and Trademark Office. There, defendants can assert that the owner of the intellectual property obtained its rights by deceiving the government.\textsuperscript{186} But those claims rely on the fact that the plaintiff should not have had the intellectual property right in the first place. That is, but for the fraudulent conduct, the government office would not have awarded the patent or trademark. In contrast, in the case of misuse, there is often no dispute that the plaintiff has a valid copyright and that the defendant is infringing it. Thus, comparing inequitable conduct to misuse seems inapposite. Rendering the copyright unenforceable is a blunt punishment that fails to take actual context into account. Because copyright misuse has these lax standing requirements, it provides damages that are unrelated to the actual injury to one who may not have even been injured.

\textit{C. Misuse Requires an Inherently Subjective Analysis}

Often, courts apply copyright misuse where the plaintiff's actions have not reached the level of an antitrust violation, but where the plaintiff has used its copyright in a way that overreaches its scope.\textsuperscript{187} The scope of the copyright grant, however, is not clearly defined.\textsuperscript{188} Thus, punishing those who try to reach beyond

\begin{addmargin}[1.5cm]
\begin{flushright}
\footnotesize
\textsuperscript{185} See Thomas F. Cotter, \textit{The Procompetitive Interest in Intellectual Property Law}, 48 WM. & MARY L. REV. 483, 505 (2006) (noting that "the beyond-the-scope rationale offers no reason why efforts to expand one's IP rights beyond the scope of the grant is such an egregious offense that, contrary to conventional standing requirements, it may be pleaded by someone who is unaffected by the offending transaction").

\textsuperscript{186} See generally Linda K. McLeod, \textit{Knew or Should Have Known, Reckless Disregard for the Truth, and Fraud Before the Trademark Office}, 34 AIPLA Q.J. 287 (2006) (detailing some of these claims).

\textsuperscript{187} See, e.g., Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970 (4th Cir. 1990).

\textsuperscript{188} I came across one author who, in his proposal for a copyright misuse defense noted: "First, the court must define the scope of the copyright. This simply involves reading the copyright registration and understanding that what the grant protects." Scher, \textit{supra} note 20, at 104 (internal citations omitted). If this determination is as simple as Scher proposes, one wonders why there is
\end{flushright}
\end{addmargin}
their grant may not be consistent with our rights to know clearly what the law is in advance of being penalized.\(^{189}\)

One commentator has argued that misuse should be found wherever the copyright is not used to further the public policy of "encouraging the development of the creative arts."\(^{190}\) Another contends that by restricting the copyrighted work, the owner is "restricting . . . access to ideas that would aid in the development of new, creative products."\(^{191}\) This raises issues of compulsory licensing, however, not copyright misuse. A copyright holder is under no requirement to license its products, and may instead choose to keep the works unpublished.\(^{192}\) In fact, in the context of patent law, Congress has specifically legislated that refusing to license a patented item is not grounds for a finding of misuse.\(^{193}\) Thus, a copyright holder should not be liable for misuse solely for restricting access to its works.

Professor Chisum has noted the difficulty of determining what constitutes overreaching beyond the scope of the grant, calling it "vague."\(^{194}\) Another analyst, criticizing the "scope of the grant test" noted that "[the test] presupposes some transcendent notion of what constitutes 'natural' or 'proper' patent or copyright exploitation and thus fails to identify any legal rules or standards for fixing the boundaries of legitimate conduct."\(^{195}\) Interestingly,


\(^{190}\) Georgenson, supra note 38, at 319. Georgenson argued that misuse was more appropriate than fair use as a framework in which to analyze reverse engineering cases. Id. at 316–19. She noted that "[c]opyright misuse analysis permits a court to address the public policy that is the actual basis of its conclusions without having to address statutory factors in an inconsistent manner." Id. at 317. It seems difficult though, to argue that analyzing whether a behavior meets a general "policy" is more predictable for litigants than using concrete statutory factors.

\(^{191}\) Id.


\(^{195}\) Scher, supra note 20, at 106 (quoting Note, Clarifying the Copyright
one author writes that “[t]he mixed reception courts have given the doctrine may be attributable in part to confusion about what constitutes misuse.”

Litigants have the right to seek resolution of their controversies in a court of law. Thus, where the scope of the copyright is potentially vague, it is not good policy to prevent plaintiffs from suing to determine those rights. Some authors have recognized this potential, noting that “[t]he courts must be careful not to place copyright owners on a razor’s edge, however, where a mistake in a copyright warning precludes enforcement of the copyright (at least until the warning is withdrawn), leading them out of an abundance of caution to underenforce [sic] their legitimate rights.” Thus, fluctuating misuse standards imperfectly protect and punish those targeted by the law.

Even in the patent realm, as ideas about the scope and policies of patent rights have changed over time, the misuse defense has adapted as well. The patent misuse defense has expanded and contracted as courts have varied their interpretation of its language. Copyright holders are even more subject to such ad hoc

---


196. Judge, supra note 154, at 903–04 (also discussing the antitrust and copyright policy approaches and noting “the relationship between the two strands, and the degree to which competition policy underlies the public policy approach, has been a source of significant confusion”).

197. Cf. Ekstrand, supra note 50, at 584–85 (discussing a case where a plaintiff was “aggressively” pursuing a potential infringer and the court held that did not constitute misuse).


199. Dawson Chem. Co. v. Rohm & Haas Co., 448 U.S. 176, 200 (1980) (referring to uncertainty in the law of patent misuse before the 1952 amendments and noting “[t]his state of affairs made it difficult for patent lawyers to advise their clients . . . and to render secure opinions on the validity of proposed licensing arrangements”); see also DONALD S. CHISUM, ET AL., PRINCIPLES OF PATENT LAW 1084 (3d ed. 2004); Kobak, The Misuse Defense, supra note 37, at 22 (discussing in the context of patents that many federal judges are so overburdened that the attractiveness of discarding an infringement case on summary judgment based on misuse is quite high); cf. Jeffery, supra note 64, at 145 (discussing the lack of standards for determining what copyright misuse encompasses and noting that “this leaves the practitioner with wide latitude to argue for or against ‘misuse’ in a specific case”).
determinations. As copyright misuse is not codified, litigants must depend on case-by-case analyses to assess their conduct. This uncertainty in the law is suboptimal and prevents parties from efficiently acting. This inefficiency results because parties cannot plan their conduct around predictable rules. Thus, because defining the metes and bounds of copyright is admittedly difficult, the copyright holder should not suffer such considerable consequences from its erroneous interpretation.

D. Patent and Copyright Law Are Distinct

Many commentators argue that because patents and copyrights are so similar, it makes perfect sense to apply a defense that originated in patent law to copyright law. Various courts have raised this point, although significantly, they rarely actually extend the misuse doctrine. Additionally, one commentator contended that because patents and copyrights both grew out of English law that was meant to protect against monopolies, similar treatment of the substantive law is necessary and appropriate.

200. See Cotter, supra note 185, at 505 (noting that while the literal terms of a patent are often difficult to discern, those of a copyright are even more difficult given the lack of a claims-like process).

201. See Clifford, supra note 70, at 262 ("Also, as demonstrated above, the cases have been far from unified in what constitutes misuse.").

202. Cf. Bauer, supra note 192, at 1235 ("The scope of the patent and copyright ‘misuse’ doctrine is imprecise and shifting."); Meurer, supra note 94, at 1887–88 (noting that “[o]ptimal copyright regulation of sharing must balance the rights of users and sellers”) (emphasis added).

203. See, e.g., Harris, supra note 120, at 117–18 (noting that uncertainty in how misuse is applied will harm defendants who cannot know in advance whether they will be held liable for infringement); Judge, supra note 154, at 904 (arguing for a clarification of misuse so copyright owners will be “on notice of what constitutes [copyright] misuse”); Franklyn, supra note 189, at 35 (“[I]t is generally recognized that clear rules enable more efficient business planning which, in turn, should inure to the benefit of society.").

204. See Scher, supra note 20, at 95–97.

205. See, e.g., Telecom Technical Servs. Inc. v. Rolm Co., 388 F.3d 820, 831 (11th Cir. 2004) ("Although the patent misuse defense closely fits the copyright law situation and may someday be extended to discipline those who abuse their copyrights, we decline to extend the application in the context before us because there is no antitrust violation.").

206. See Scher, supra note 20, at 96. Scher outlined the development of
Congress has not codified copyright misuse. Importantly, Congress codified patent misuse in 1952 after courts took the patent misuse doctrine "to the extreme." It seems strange that Congress would choose to put its imprimatur on one type of misuse, but not the other. Perhaps Congress sees what some courts do not—that patents and copyrights have fundamental differences that make copyright misuse not as favorable. Additionally and significantly, while the Supreme Court explicitly recognized patent misuse, it has never affirmatively recognized the doctrine of copyright misuse.

The argument that patent and copyright law are identical ignores the fact that patents and copyrights have distinct characteristics and sets of laws. Importantly, patents require essentially absolute novelty, while copyrights require only originality. This means that where a patentee forces someone into an unfair license, that licensee has no choice but to accept the unfair terms if it wants to use the patented item. Even if the licensee

codified intellectual property practices:
Parliament addressed these problems (price inflation and product shortages due to monopolies) by passing the Statute of Monopolies, which prohibited the Crown from granting monopoly power to anyone except creators of new inventions, and to them only for a period of fourteen years... Copyright law in England also grew out of a conflict between the English Crown's attempt to create, and Parliament's desire to curtail, monopolies.... In 1710, Parliament reacted by passing the first known copyright act, the Statute of Anne. The statute granted the Stationer's Company exclusive publishing rights, but only for a limited time.

*Id.* "Clearly, 'the English statutory treatment of copyright was similar to that of patent in that the creator was granted a monopoly for a limited time only.'" *Id.* (quoting Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 975 (4th Cir. 1990)).

207. CHISUM, ET AL., supra note 199, at 1084–85.

208. See Jeffery, supra note 64, at 144. This author goes on to note that the Court has "however, tacitly approved of the doctrine." *Id.* (citing United States v. Loew's, Inc., 371 U.S. 32, 45–47 (1968)).

209. See Kobak, A Sensible Doctrine of Misuse, supra note 6, at 33 ("This historical basis for the patent misuse doctrine, however, has little application to copyright, which has no comparable system of examination and public disclosure of precise, carefully defined claims.").

210. There is a one year grace period. See 35 U.S.C. § 102(b) (2000).

independently developed the very same invention, he could not use it.\textsuperscript{212} So for the potential licensee of a patent, this license is its only option for using the product. Because the patentee has complete exclusivity, his rights extend for a relatively brief period—generally, 20 years from the date the patent is filed.\textsuperscript{213}

A copyright holder does not enjoy complete exclusivity,\textsuperscript{214} but her rights extend for a comparatively longer time.\textsuperscript{215} Because copyrights do not require absolute novelty, this leaves open the opportunity for a competitor to independently create its own product.\textsuperscript{216} Thus, the effects of an anticompetitive license will not be as great because a licensee who refuses to enter an unfair agreement has other options.\textsuperscript{217} It can try to create the copyrighted work on its own or shop for other independently developed works that offer better license terms.

In \textit{Lasercomb}, the court also argued that because copyright and patent were combined into one clause in the Constitution, this showed the Framers’ intention that the two sets of laws should be harmonious.\textsuperscript{218} Additionally, the court discussed the histories of

\begin{itemize}
\item \textsuperscript{212} See 35 U.S.C. § 154 (giving patentees the exclusive right to exclude others from making, using, selling, or offering to sell the patented device).
\item \textsuperscript{213} Id.
\item \textsuperscript{214} See infra notes 281-96 and accompanying text (discussing the fair use defense).
\item \textsuperscript{215} 17 U.S.C. § 302 (extending copyright for the life of the author plus 70 years).
\item \textsuperscript{216} See, e.g., Reed-Union Corp. v. Turtle Wax, Inc., 77 F.3d 909, 913 (7th Cir. 1996) ("We do not say that [copyright misuse exists as a defense] (an open issue in this court); copyrights do not exclude independent expression and therefore create less market power than patents.").
\item \textsuperscript{217} Although he has changed his tune somewhat, Judge Poser recognized this distinction at one point. See Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191, 1200 (7th Cir. 1987) (arguing that patent misuse should look only to antitrust principles because any other system would be too uncertain, and that "[t]his point applies with even greater force to copyright misuse, where the danger of monopoly is less"); see also supra note 71 and accompanying text.
\item \textsuperscript{218} Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 975 (4th Cir. 1990) (noting that "the framers combined the two concepts in one clause, stating a unitary purpose—to promote progress"); see also U.S. CONST. art I, § 8, cl. 8 ("[Congress shall have power] To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."); Scher, supra note 20, at 96–97
\end{itemize}
the laws in England and offered its opinion that patents and copyrights are founded on the same fundamental principles of preventing monopolistic behavior.\textsuperscript{219}

There are sections of each area of law, however, that do not translate to the other. Copyright law enjoys the affirmative defense of fair use.\textsuperscript{220} Fair use was initially judicially created and eventually codified by Congress in 1976.\textsuperscript{221} Fair use provides that one may encroach on a copyright owner's rights for some specific purposes and if some conditions are met.\textsuperscript{222} Patent law, however, has no such fair use defense. Indeed, a patent grants the owner the exclusive right to exclude others from making, using, or selling that product.\textsuperscript{223} There are no exceptions for educational or other policy reasons. Thus, not all defenses necessarily translate from one arena to the other. Although patent law and copyright law are grounded in similar concerns, they are sufficiently different to warrant caution in merely transplanting misuse from one to the other.

\textit{E. Misuse Disregards Consensual Bargains}

Forbidding licensors and licensees from contracting for various rights is also a form of "paternalism."\textsuperscript{224} We should allow parties to agree on license terms when there is a free bargain and informed consent. Further, where plaintiffs engage in price discrimination, it should not be a per se case of copyright misuse. Price

\footnotesize{("The Framers, like the English, considered the property rights protected by copyrights and patents to be similar. As a result, the constitutional grant which vests in Congress the power to create both copyright and patent laws is combined in one clause, stating a unitary purpose . . . ").}

\textsuperscript{219} Lasercomb, 911 F.2d at 974–75.


\textsuperscript{221} Kenneth D. Crews, Fair Use and the "Most Important Factor": An Empirical Test of the Copyright Principle, (Aug. 23, 2006) (working paper).


\textsuperscript{224} Judge, \textit{supra} note 154, at 937 ("To the extent that copyright misuse arises from contractual relations between a copyright holder and his licensees, there is a question of whether judicial interference undermines freedom of contract and has an overtone of paternalism.").
discrimination can help copyright owners and licensees develop the pricing scheme that is most beneficial for all users.

1. Informed consent

Where contracting parties are both informed, especially when they are both sophisticated businesses, it seems illogical to later determine that one did not understand its bargain. Courts have recognized parties’ rights to bargain for various types of consideration. For example, in MedImmune, Inc. v. Genentech, Inc., the Federal Circuit allowed the parties to contract away the right to future challenges of the validity of the patent at issue. Shrinkwrap licenses have similarly been upheld as valid contracts. Thus, courts seem unwilling to take a paternalistic view that parties may be coerced into unfavorable bargains.

One scholar recognized the divergence in courts’ opinions as to whether contractual bargaining of certain rights was valid or was copyright misuse. She suggested creating a new test that would

225. See Kathleen K. Olson, Preserving the Copyright Balance: Statutory and Constitutional Preemption of Contract-Based Claims, 11 COMM. L. & POL’Y 83, 90 (2006) (“The tension between contract and copyright can be difficult to reconcile, because the right of contract is an important principle in American law that courts generally uphold.”).

226. MedImmune, Inc. v. Genentech, Inc., 427 F.3d 958 (Fed. Cir. 2005) (upholding a contract where the licensee agreed not to challenge the validity of the patent), rev’d, 127 S. Ct. 764 (2007). The court had to balance the policy of informed consent and free bargaining with the possibility that large licensors might strong arm licensees into contracts where the licensee does not yet have enough information to assess the patent’s validity.

227. ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1449 (7th Cir. 1996). Shrinkwrap licenses provide consumers with notice of what agreements they are making by buying the product at issue. Id. These licenses may prohibit the buyer from future resale or require the use of certain replacement parts. See, e.g., Lexmark Int’l, Inc. v. Static Control Components, Inc., 387 F.3d 522, 530 (6th Cir. 2004). But see Davis, supra note 24, at 146–47 (arguing that ProCD will not help a plaintiff accused of copyright misuse because that case involved uncopyrightable material and a restrictive license seemingly constitutes misuse); Olson, supra note 225, at 90–91, 126 (noting that the line between contract law and copyright law is vague and whether a license restriction will be enforced is uncertain, and also that some courts have begun to see these contracts as examples of misuse).

228. See Knight, supra note 154. Knight wrote about these two approaches:
balance various rights and policies of the parties involved. But her test seemingly considers policies already in place in contract law—such as the license, the circumstances, the sophistication of the parties, and the policies that may be impacted. It is unnecessary to draw copyright misuse into the discussion when contract law already provides remedies.

That the copyright misuse doctrine allows defendants who themselves suggested the anticompetitive license terms to assert the defense seems illogical. Even assuming for the moment that where licensees were forced to accept bad terms or did not understand them might be considered misuse, where the licensees themselves suggested the unfair terms, they should be bound by them. The Practice Management court rejected such a justification that the licensee suggested the unfavorable terms. It held that “[b]y agreeing to license the [copyrighted work] in this manner, the AMA used its copyright ‘in a manner violative of the public policy embodied in the grant of a copyright.’”

Thus, the Ninth Circuit essentially held that merely agreeing to terms suggested by a licensee, if the terms are anticompetitive, could render a copyright unenforceable because it injures the public at large.

This has the potential for savvy licensees to attempt to render copyrights unenforceable by suggesting unfair terms. Consider the case where the copyright holder is an up and coming musical artist

---

The circuit courts are split as to when and how copyright owners may expand their rights beyond the limited rights granted by Congress in the Copyright Act. The courts approach the problem from two different perspectives: copyright misuse and freedom of contract. . . . [T]he law in this important area will remain unpredictable until either Congress or the Supreme Court decides to step in.

Id. at 266.
229. Id. at 262.
230. Id.
231. See Practice Mgmt. Info. Corp. v. Am. Med. Ass’n, 121 F.3d 516, 521 (9th Cir. 1997) (“Although [the licensee] apparently had nothing to gain from inclusion of the exclusivity provision, which side urged its inclusion is of no consequence.”).
232. Id.
233. Id. (quoting Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 977 (4th Cir. 1990)).
desperate to sell her works. A record company could suggest that they will license her currently popular song and, in exchange for a lower price, will also license all of her earlier, lesser known works that the company never intends to use. 234 In theory, the record company could simply refuse to pay royalties and argue that the blanket license is violative of the public policies behind copyright and thus, the singer’s copyright is unenforceable. That the company suggested the terms would be of no import. 235 Clearly, this is not how misuse should operate. 236 Courts should not look at the agreements in the abstract and simply decide whether they are anticompetitive. Courts should instead examine the context in which these agreements were made and determine whether the defendant made a free bargain. 237

Supporters of the misuse defense may argue that where a copyright holder has sufficient market power or a monopoly, the defendant may have no choice but to accept the unfavorable deal if it wants to use the product. 238 But this seemingly indicates that


235. See Practice Mgmt., 121 F.3d at 521.

236. See Judge, supra note 154, at 940. Judge recognized this troubling situation:

Under the current regime, it appears that a licensee can negotiate inclusion of an exclusivity or other potentially offensive term and then use inclusion of that term in the agreement to claim that the licensor misused its copyright. This seems particularly problematic under the current copyright misuse regime, where such a finding is likely to enable the licensee to use the copyrighted material without providing any recompense to the copyright holder (at least for the period of misuse).

Id. Judge does note that the Napster court hinted that such “artificially manufacture[d] overreaching clauses” might be a defense to misuse. Id. at 940 n.153 (citing In re Napster, Inc. Copyright Litig., 191 F. Supp. 2d 1087, 1107 n.16 (N.D. Cal. 2002)).

237. See Judge, supra note 154, at 940 (arguing that a negotiated bargain should be a mitigating consideration in the determination of misuse).

238. See Julie E. Cohen, Copyright and the Perfect Curve, 53 VAND. L. REV. 1799, 1811 (2000) (discussing the potential imbalance of power that may exist). But see Kobak, A Sensible Doctrine of Misuse, supra note 6, at 45 (noting that a deal might not result from coercion but from “mutual convenience, business exigencies, or other reasons”).
sufficient market power exists such that an antitrust claim could be brought. Further, because copyright law, unlike patent law, allows independent reverse engineering, defendants should be able to create their own competitive products that compete with the licensor's. Finally, it is unlikely that such market power would actually exist.

2. Price discrimination

 Owners of intellectual property may wish to engage in price discrimination, that is, to charge different prices to different buyers. Price discrimination occurs in everyday life in that it costs more to buy an airline ticket at the last minute than it does well in advance. Price discrimination can be beneficial for the market because it allows sellers to give discounts to those who need them and should eventually simulate a competitive market.

239. See infra notes 303-07 and accompanying text.
240. See supra note 71 (quoting Judge Posner in Saturday Evening Post as noting that the "danger of monopoly" in copyright law is less than in patent law).
241. CHISUM ET AL., supra note 199, at 1084.
242. Id.

By charging different users different prices for the same good based on how highly each user values the good, a publisher can broaden access to the good by charging a lower price to lower-valuing users. Price discrimination can succeed only if the publisher can prevent arbitrage, which occurs when a lower-valuing user resells a good to a higher-valuing user. A tethering [technological protection measure] can prevent arbitrage by making an information good useless except when used by the original purchaser.

Id.; see also id. at 491 n.4 (citing Tom W. Bell, Fair Use vs. Fared Use: The Impact of Automated Rights Management on Copyright's Fair Use Doctrine, 76 N.C. L. REV. 557, 591 (1998) ("Absent proof of a very narrow category of circumstances, such as duress or misrepresentation, we can assume that contracts under fared use reflect the interests of those who choose to enter into them.").
Further, it provides access to works to more members of the public at prices they can afford to pay and maximizes the profitability for the copyright holder. 244 Certainly, there are commentators who argue that price discrimination does not actually provide these benefits. 245 But as one author notes, the public benefits most when more works are created, which (arguably) requires incentives for authors. 246

Some types of allegedly anticompetitive licenses may also be viewed as price discrimination. 247 For example, as discussed by one author, tying arrangements are a form of price discrimination as they "reach[] purchasers at prices closer to each purchaser's true reservation price." 248 If price discrimination in the form of licenses is considered beneficial, 249 and not necessarily violative of the copyright grant, then such licenses should be allowed. We permit

245. See generally Cohen, supra note 238.

Note that price discrimination, in this or any case, facilitates wealth transfer from consumers to producers. If author A could charge each viewer according to exactly how much that viewer desires his film, A's profits would be maximized by eliminating consumer surplus—the value of the product for consumers in excess of what they are required to pay. If copyright law exists for the benefit of the public, one might wonder about interpretations of the law that impoverish consumers. Nevertheless, it is intellectual benefit that the public should reap, through the advancement of knowledge. Hence, directing resources toward the development of the most highly valued works of authorship may be more important than protecting consumers' bank accounts.

Id.

247. CHISUM ET AL., supra note 199, at 1084 (noting that anticompetitive behavior may "be viewed through a rosier lens").
248. Kobak, A Sensible Doctrine of Misuse, supra note 6, at 29 (discussing the Chicago school of economics approach to patent monopolies).
249. See Fisher, supra note 244, at 1239 (arguing that "price discrimination leads to substantial improvements in distributive justice—better approximation of the ideal of affording all persons access to works of the intellect").
price discrimination to occur in many instances. It is inconsistent to allow a practice in one realm yet punish those with intellectual property protection who attempt to create the same pricing models.

Copyright misuse creates misaligned incentives and invites infringers onto the scene. Further, as currently applied, it grants uninjured parties the standing to assert the defense and requires a copyright holder to make a difficult ex ante determination of its actual rights—with a grave penalty for error. For the reasons discussed above, courts should not recognize copyright misuse as a defense to infringement. But how should courts treat those who try to extend their intellectual property powers beyond those granted by statute? The next Part offers the proposal that causes of action that already exist will account for these violations and thus, we need not create a new defense for these defendants to use.

IV. ALTERNATIVES TO COPYRIGHT MISUSE

Certainly, it is against public policy for a copyright owner to use its copyright in a way that violates other laws or is anticompetitive. But we should also be wary of promoting remedies that create a dual punishment. There are various legal doctrines and financial forces that should protect the public from anticipated harms without the need for a misuse defense, including antitrust, civil causes of action, fair use, and market economic forces. This Part discusses these alternatives and argues that together they preclude the need for another body of law, particularly one with the disadvantages discussed in Part III.

A. Antitrust Law

As discussed above, antitrust law typically covers conduct including tying arrangements, blanket licenses, and tie-outs. The antitrust doctrine examines whether a contract or practice is anticompetitive with respect to downstream competitors or

250. See infra notes 254-71 and accompanying text.
251. See infra notes 272-80 and accompanying text.
252. See infra notes 281-96 and accompanying text.
253. See infra notes 297-307 and accompanying text.
254. See supra Part II.B.(i).
distributors.\textsuperscript{255} The focus is typically on "1) whether the restraints control prices; and 2) whether the restraints are unilaterally imposed or are the product of an agreement."\textsuperscript{256} To prove a violation of antitrust generally requires a showing of market power.\textsuperscript{257} Once this violation is proven, the remedy is typically treble damages or perhaps injunctive relief.\textsuperscript{258}

Antitrust law and copyright misuse often cover the same types of behavior.\textsuperscript{259} Recall that a significant portion of misuse cases are brought pursuant to antitrust-like claims. As a result of this overlap, an injured party may recover twice from a copyright holder when asserting antitrust and misuse. While antitrust is an affirmative claim and misuse is merely a "shield," against a claim of infringement, it is possible for a defendant to win both claims.\textsuperscript{260} One might argue that the claims do not cover exactly the same territory because copyright misuse does not require proof of market power. But that should indicate something—if a copyright holder does not have market power, it likely cannot force licensees into bad deals that overreach its copyrights. That is, a copyright holder without substantial market presence cannot effectively compel others into "bad" deals. Potential licensees will simply walk away.

Some argue that because antitrust and copyright misuse are directed at different policy concerns, each is a valid method of recovery for a claimant.\textsuperscript{261} For example, Professor Meurer notes

\textsuperscript{255} Meurer, \textit{supra} note 94, at 1886 (contending that because this focus does not apply in most copyright cases, misuse is needed to fill in the gaps).
\textsuperscript{256} Lemley, \textit{supra} note 137, at 1605 (also noting that patent law uses similar considerations).
\textsuperscript{257} Gevurtz, \textit{supra} note 171, at 372.
\textsuperscript{258} Lemley, \textit{supra} note 137, at 1607 (citing P. AREEDA & L. KAPLOW, \textsc{Antitrust Analysis} 184–85 (1987)).
\textsuperscript{259} See Georgenson, \textit{supra} note 38, at 319 ("The effect of copyright misuse on purely business interests is within the realm of antitrust law, not the public policy analysis of a misuse claim."); see also Lemley, \textit{supra} note 137, at 1617 (noting that patent misuse and antitrust often apply to the same conduct).
\textsuperscript{260} See CHISUM ET AL., \textit{supra} note 199, at 1104 ("To be sure, the aggressive party who wins, or think [sic] she will win, a misuse defense as a shield may be tempted to turn around and use the same as a sword in an antitrust matter because antitrust causes of action may provide access to fee shifting and damages.").
\textsuperscript{261} See Scher, \textit{supra} note 20, at 98 ("Antitrust law deals with economic
that intellectual property laws typically regulate vertical restraints more harshly than antitrust laws do.\textsuperscript{262} Thus, he argues that we need both remedies for different situations, although in some cases both sets of doctrines may apply.\textsuperscript{263} But it is precisely this double recovery that makes the overlap impermissible.\textsuperscript{264} Putting a different gloss on the reasoning behind certain laws should not give a claimant the opportunity to obtain more money.

Further, another scholar has argued that both antitrust and misuse are needed because antitrust actions are “notoriously slow,” the remedies are harsh, perhaps unduly, and “threaten to severely diminish the incentive structure in place to promote ‘the useful arts.’”\textsuperscript{265} Additionally, this author offers that the misuse doctrine is beneficial because courts can use it in a discretionary fashion, applying it where needed to protect competition.\textsuperscript{266} But such a discretionary approach, while potentially protecting some rights of licensees, harms the rights of copyright owners who are without bright-line standards. When this happens, copyright owners may lose the incentive to innovate. If companies cannot be fairly certain that they can protect their investments, they may simply chose another protection method or another business altogether.\textsuperscript{267} Or, copyright holders might instead protect their works with trade secrets, hiding the information from the public.\textsuperscript{268} Further, at least

\begin{footnotesize}
\textsuperscript{262} Meurer, supra note 94, at 1911 (noting that IP regulations are stricter than antitrust because the cases are smaller and less expensive, the remedies are varied rather than relying solely on money damages, and there is a greater concern for the consumer end user).

\textsuperscript{263} See id. at 1872.

\textsuperscript{264} Lemley, supra note 137, at 1617.

\textsuperscript{265} Chip Patterson, Note, Copyright Misuse and Modified Copyleft: New Solutions to the Challenges of Internet Standardization, 98 Mich. L. Rev. 1351, 1367–69 (2000).

\textsuperscript{266} Id. at 1373–74 (promoting a balancing approach that takes into account copyright holders’ rights and the social welfare).


\textsuperscript{268} Cf. Clifford, supra note 70, at 285–86 (discussing the use of the misuse in injury to the free marketplace resulting from monopoly control. Misuse, on the other hand, prevents patent (and copyright) owners from exploiting rights belonging to the public. Consequently, the antitrust and misuse doctrines must be properly distinguished from one another.”) (citations omitted).
\end{footnotesize}
in the context of DMCA claims, one author disagrees with this assessment:

Furthermore, defenses to [DMCA] claims should not be shrouded in comparatively poorly understood doctrines such as the copyright misuse doctrine, but instead should be argued clearly as a matter of applicable commercial and antitrust law and policy. In particular, counterclaims in antitrust law may be more easily pleaded and adjudicated than copyright misuse defenses that raise similar policy issues, but arguably in more oblique and uncertain ways.\(^{269}\)

Finally, there exist cases which may not rise to the level of antitrust violations, but which are anticompetitive or stretch the boundaries of the copyright holder’s rights. Proponents of copyright misuse consider these to be the most significant cases,\(^{270}\) but these cases need further examination. First, if a license or other conduct does not violate antitrust law, implicitly it is not harming competition in any impermissible way. Thus, recovery on that basis is not warranted. Proponents argue that the copyright owner is misusing the copyright in a way that was not intended by the intellectual property grant.\(^{271}\) But that begs the question of why

\(^{269}\) Lipton, supra note 135, at 491.

\(^{270}\) See Scher, supra note 20, at 97–101.

\(^{271}\) See id. at 104–05 (detailing his “scope of the grant test” which proposes
that copyright owner would be successful in an infringement suit in the first place. There may be some legitimate questions as to what licensees should be permitted to contract away, as discussed above, but generally, if that right is not addressed by the license, the copyright owner will lose on the merits. For example, because a copyright does not give the owner the right to prevent others from independently developing competing software, barring a license provision addressing it, the owner will simply lose if it sues that competitor for infringement. Thus, the alleged infringer does not need copyright misuse as a shield.

Antitrust law will address claims damaging the marketplace. Copyright infringement law will protect copyrights, but will also protect rights outside the bounds of the grant. Thus, copyright misuse is cumulative and unnecessary.

B. Other Civil Causes of Action

Further, in many cases, litigation pursued solely for the purpose of harassing a competitor or seeking settlement money can be dealt with in other areas. For example, a defendant can later bring a claim for wrongful use of civil proceedings or abuse of process. Wrongful use of civil proceedings, also known as malicious prosecution in many jurisdictions for similar acts in the criminal context, provides relief to a defendant who was sued by a plaintiff who lacked probable cause. The particular elements required to prove a claim vary by state, but generally require that the plaintiff brought an action without probable cause or with gross negligence, and that the proceeding was terminated in the defendant’s favor.272 Further, although wrongful use of civil proceedings is a state law tort claim, it may apply to a case in which the wrongful suit at

---

issue was adjudicated in federal court. Thus, the claim may be brought by a defendant who succeeds in a copyright infringement suit.

Abuse of process involves "the use of legal process, whether criminal or civil, against another primarily to accomplish a purpose for which it was not designed." Thus, even while the plaintiff may technically prevail on its claim, if it misuses the suit to achieve a goal other than enforcing its rights, it is abusing the litigation process. Such civil causes of action can assist a defendant wrongly accused of copyright infringement. Indeed, Judge Posner recognized this opportunity:

The argument for applying copyright misuse beyond the bounds of antitrust . . . is that for a copyright owner to use an infringement suit to obtain property protection . . . that copyright law clearly does not confer, hoping to force a settlement or even achieve an outright victory over an


275. But see Judge, supra note 154, at 927–30 (noting that "an abuse of process approach to misuse would often result in a good outcome," but also arguing that misuse is more direct).

276. For example, in one case, the defendant accused of infringement asserted misuse on the basis that the infringement suit itself was brought solely to harass the defendant. Religious Tech. Ctr. v. Lerma, No. 95-1107-A, 1996 WL 633131, at *11 (E.D. Va. Oct. 4, 1996). The defendant ultimately lost the claim of misuse, but the assertion illustrates the potential for an abuse of process claim to provide relief. See also Int'l Motor Contest Ass'n v. Staley, 434 F. Supp. 2d 650, 667 n.8 (N.D. Iowa 2006) (noting that the defendants' misuse claim rested partly on a claim that the plaintiff brought the suit "not for any proper purpose of protecting its copyrights, but to harass, oppress, and damage the defendants" and accepting that this might be grounds for a finding of misuse).
opponent that may lack the resources or the legal sophistication to resist effectively, is an abuse of process.\textsuperscript{277}

Thus, where a copyright holder sues a licensee for infringement and it is using the suit only to coerce settlement or frighten the licensee, the licensee should have relief through these tort actions. One common justification for copyright misuse is that it is an affirmative defense that may be raised by a claimant being sued for copyright infringement.\textsuperscript{278} Critics believe that because misuse is simply a shield rather than a sword, it is not overreaching in its remedies.\textsuperscript{279} Conversely, abuse of process and malicious prosecution are torts that must be alleged in separate lawsuits. Further, at least for wrongful use of civil proceedings, the tort plaintiff must have won his case as the defendant in the original infringement suit.\textsuperscript{280} Thus, if the defendant is truly infringing, these tort causes of action are unavailable.

But where a defendant is truly infringing and the plaintiff's conduct is not an antitrust violation, the defendant should not have the right to cancel the copyright. It therefore seems appropriate that a defendant who wins an infringement suit may have a claim, while one who loses may not then sue the plaintiff. Additionally, abuse of process claims apply even where the defendant does not prevail. Therefore, these claims will assist a defendant being harassed or improperly brought into court.

\textbf{C. Fair Use}

As noted above, for users who are not truly violating the copyright, misuse is not needed because the copyright holder will simply lose on the merits.\textsuperscript{281} One such way to defend an

\begin{itemize}
  \item \textsuperscript{277} Assessment Techs. of Wis., LLC v. WIREdata, Inc., 350 F.3d 640, 647 (7th Cir. 2003) (emphasis added).
  \item \textsuperscript{278} See, e.g., Scher, supra note 20, at 97.
  \item \textsuperscript{279} Ekstrand, supra note 50, at 577 (citing Dennis S. Karjala, Copyright Protection of Operating Software, Copyright Misuse, and Antitrust, 9 CORNELL J.L. & PUB. POL’Y 161, 185 (1999)).
  \item \textsuperscript{280} See supra note 272 and accompanying text.
  \item \textsuperscript{281} See supra Part IV.A.
\end{itemize}
infringement action using a doctrine already in place is by claiming fair use. Fair use provides users some opportunity to work with a copyrighted piece, without being liable for infringement.\textsuperscript{282}

Courts assess the totality of the circumstances in determining whether a use is a fair use and consider at least four factors: the character of the use; the nature of the copyrighted work; the amount of the copying; and the effect of the use on the market for the copyrighted work.\textsuperscript{283} Initially, fair use applied primarily when the use at issue was for news, criticism, or scholarly purposes.\textsuperscript{284} However, courts have also characterized the intermediate copying needed for reverse engineering as fair use.\textsuperscript{285}

Thus, fair use presents licensees with a defense, one already widely recognized, to guard against overreaching by copyright holders.\textsuperscript{286} The most promising fair use factor for software licensees is the second factor—the nature of the copyrighted work.\textsuperscript{287} Most computer programs have little original material and much of the code will constitute ideas or scenes a faire.\textsuperscript{288} Only

\textsuperscript{282} 17 U.S.C. § 107 (2000); Georgenson, supra note 38, at 297 ("Under certain circumstances, activities that constitute infringement actually further the purposes of copyright law and, therefore, are permitted under the Copyright Act.").


\textsuperscript{285} Georgenson, supra note 38, at 298 (discussing Atari Games Corp. v. Nintendo of America, 975 F.2d 832 (Fed. Cir. 1992) and Sega Enterprises Ltd. v. Accolade, Inc., 977 F.2d 1510 (9th Cir. 1992)).

\textsuperscript{286} See Meurer, supra note 94, at 1902 (noting that limitations by owners of copyrights in computer software are "significantly constrained by . . . the fair use doctrine" in what types of limits they can place on things like independent development and adaptation).

\textsuperscript{287} 17 U.S.C. § 107(2).

\textsuperscript{288} Donna L. Lee, Reverse Engineering of Computer Programs Under the DMCA: Recognizing a "Fair Access" Defense, 10 MARQ. INTELL. PROP. L. REV. 537, 544 n.27 (2006) ("Under the scenes a faire doctrine, expressions that are standard to a given genre or style lack the necessary originality for copyright protection.").
original material is protected via copyright, and thus, many computer programs have thin protection. This thin protection should cut against a copyright holder trying to claim tight control over its work. Unfortunately, the second factor rarely carries the day for a defendant asserting fair use. Therefore, these licensees will need to win the other factors as well. Analysis of fair use cases shows that often, the court finds that all four factors point in the direction of one of the parties. Thus, where the second factor favors the defendant, it should likely also be able to show fair use overall.

One counter argument to this assertion that fair use will solve the problem is that due to the vague standards of fair use, copyright holders who are big businesses can attempt to frighten legitimate fair users into ceasing use. Fair use has not provided uniform, consistent decisions that give copyright holders and users helpful information. Thus, users with potentially fair uses may

289. See Apple Computer, Inc. v. Microsoft Corp., 35 F.3d 1435, 1443 (9th Cir. 1994) ("Because only those elements of a work that are protectable and used without the author’s permission can be compared when it comes to the ultimate question of illicit copying, we use analytic dissection to determine the scope of copyright protection before works are considered ‘as a whole.’").


291. See Crews, supra note 221 (finding that courts usually find fair use based on the first and the fourth fair use factors).

292. Jason Mazzone, Copyfraud, 81 N.Y.U. L. REV. 1026, 1049 (2006). Professor Mazzone defines copyfraud as “claiming falsely a copyright in a public domain work.” Id. at 1028. He proposes that courts should expand misuse to fight publishers who inflict copyfraud on the public. Id. at 1087–90.

293. See Andrew Inesi, A Theory of De Minimis and a Proposal for Its Application in Copyright, 21 BERKELEY TECH. L.J. 945, 982 (2006) (calling fair use “‘the most troublesome’ doctrine in copyright”) (quoting Dellar v. Samuel Goldwyn, Inc., 104 F.2d 661, 662 (2d Cir. 1939)). Inesi offers these observations on fair use:

Courts have interpreted each of the four statutory fair use factors in strikingly different ways, and there is no clear guidance regarding how to balance the four factors against
be hesitant to test the waters and risk liability or costly litigation. Powerful copyright owners may send cease and desist letters that bully licensees into retreating for fear of civil action. But this is a consideration in any area of litigation. If the boundaries were clear, parties would know what to do and would not resort to courts. Thus, cleaning up the consistency of the fair use defense itself will address the root cause of the problem. Adding another inherently subjective defense, copyright misuse, merely muddies the waters.

D. Market Forces

Finally, allowing the market to essentially force unfairly competitive behavior from the marketplace is another way to police overreaching by copyright holders. Typically, where one producer charges a price above what consumers are willing to pay, those consumers will look for an alternative product. The manufacturer charging the higher price is forced to decide whether to lower prices to lure back its consumers.

one another. Further, the fair use statute explicitly permits consideration of factors other than the four statutory factors, but provides little guidance regarding what those other factors should be or how important they are. Therefore, courts are able to use fair use as a way to justify almost any refusal to apply copyright. Indeed, empirical evidence suggests that courts' fair use analyses are driven by their ultimate fair use holdings, not vice-versa.

Id. (citations omitted).

294. Ekstrand, supra note 50, at 565–66 (discussing the display of hundreds of such letters from copyright owners on www.chillingeffects.org).

295. See Bell, supra note 243, at 578–79 (“Fair use will thus continue to play a vital role, albeit a diminished one, in a world of otherwise pervasive fared use. Contracts that interfere with the fair use defense might risk federal preemption.”).

296. See Cotter, supra note 185, at 540 (“The other alternative would be to discard misuse altogether and to rely instead on a properly reformulated fair use or preemption doctrine, or simply to hold offending contractual provisions unenforceable as a matter of public policy.”).

297. Cf. Rothchild, supra note 243, at 530–31. Of course, as Rothchild notes, this is true only in a perfectly competitive market involving fungible goods. Id. Most markets in this software area, however, are either monopolies or oligopolies. Id. at 530. There, “[I]he lack of close substitutes gives the seller
Thus, using typical economic analysis, we can predict that as consumers (or licensees) become dissatisfied with contract terms demanded by copyright holders, they will simply look elsewhere for the good.\footnote{298} For example, one scholar analyzed this process with respect to technological protection measures such as those called for by the DMCA.\footnote{299} Professor Rothchild noted that while these copyright holders might face less pressure from consumers than in a perfectly competitive market, consumer preferences would still force these holders to respond.\footnote{300}

market power: it can raise price above marginal cost without seeing sales go to zero (as would occur in the case of pure competition).” \textit{Id.} at 532. In an oligopoly, the existence of few sellers and the high barriers to market entry make prices sticky around some central number and it is more difficult for consumers to find cheaper alternative goods. \textit{Id.} at 541.

\footnote{298} The “substitution effect” refers to situations where consumers shift preferences from one good to another based on pricing or other characteristic. See \textit{e.g.}, Dennis S. Karjala, \textit{Congestion Externalities and Extended Copyright Protection}, 94 GEO. L.J. 1065, 1072 (2006) (describing, in the context of the Copyright Term Extension Act, a potential substitution effect where consumers, tired of Mickey Mouse, change their preferences for some other work or character); Matthew Sag, \textit{Piracy: Twelve-Year Olds, Grandmothers, and Other Good Targets for the Recording Industry}, 4 NW. J. TECH. & INT. PROP. 133, 136 (2006) (describing the substitution effect that results when consumers use peer to peer file sharing in place of buying CDs).

\footnote{299} Rothchild, \textit{supra} note 243.

\footnote{300} Rothchild explained his findings:

The proposed model of publisher decision making, together with the anecdotal evidence offered by the case studies, suggests that profit-maximizing publishers that face competition have meaningful incentives to be responsive to consumer [technological protection measure] preferences. Publishers in markets that are monopolistic, monopolistically competitive, or oligopolistic face correspondingly less pressure from such consumer preferences than do publishers in competitive markets.

\textit{Id.} at 561; see also Pamela Samuelson, \textit{Intellectual Property and the Digital Economy: Why the Anti-Circumvention Regulations Need to Be Revised}, 14 BERKELEY TECH. L.J. 519, 566 (1999) (discussing the probability that if one copyright owner restricts access too much, consumers will switch to other options and noting that “[i]n addition, if consumers won’t buy tightly restricted copies, copyright owners may end up worse off than before”). This suggests that the market itself can force copyright owners to stay within the bounds of acceptable copyright policies.
Certainly, where a copyright holder has a particular monopoly on a product such as computer software, this substitution may not occur. Consumers who refuse to purchase software tied to some other product may not have other options to substitute. This would allow the copyright holder to extend its monopoly without fear of consumer abandonment. But if this is true, the copyright holder seemingly has significant market power. Thus, an injured competitor could presumably at least attempt an antitrust suit.

Moreover, as discussed above, copyright holders do not necessarily hold the same exclusivity rights as their analogous patent holders. Whereas patent holders have essentially absolute exclusivity, copyright holders are subject to the independent creation of a competing work by another. Thus, although it might take some time, presumably where consumers are dissatisfied with the available licenses, new businesses will start up in response and will create alternative works.

Copyright law also permits reverse engineering where a competitor can attempt to create the copyright holder’s product. Critics often bemoan the slow process and large capital outlay necessary for reverse engineering. Yet, it is just such capital outlay that at least somewhat justifies giving copyrights in the first place. Of course, we do not reward “sweat equity,” but where that sweat produces something original, it is rewarded in order to

301. See Sharon Billington, Relief from Online Used Book Sales During New Book Launches, 29 COLUM. J. L. & ARTS 497, 512 (2006) (discussing the differences in exclusivity between patent and copyright and noting the proffered justification of higher capital outlay and shorter terms for patent procurement).

302. See Jay Rubin, Television Formats: Caught in the Abyss of the Idea/Expression Dichotomy, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 661, 676 n.87 (reviewing that patents protect ideas while copyrights protect only expression) (citing Mazer v. Stein, 347 U.S. 201, 217 (1954)).

303. Georgenson, supra note 38, at 292 (“Through [reverse engineering], computer programmers ‘disassemble’ the program to determine how it functions. The programmers then use the information they discover during that process to develop new programs which render their products compatible.”).

304. See, e.g., id. at 297 (noting that reverse engineering “is not a simple or foolproof task” and that it “can be costly and time consuming, even when compared to independent development”); Patterson, supra note 265, at 1375–76 (arguing that the reverse engineering response to misuse ignores the fact that such processes take time which is certainly of the essence in software cases).

incentivize future creations.\textsuperscript{306} Therefore, copyrights should protect against free riding by infringers.

Where a copyright holder persuades a licensee to contract away the right to reverse engineer its product, certainly, independently creating a competitive product will not be an option.\textsuperscript{307} But as noted above, that is the licensee's choice when it makes the contract decision. If it is an informed bargain, it should be upheld. Thus, for some licensees, reverse engineering will still be an option.

Further, where such behavior is truly egregious, perhaps courts can simply void the contract at issue. This is a lighter penalty than copyright misuse as it does not void the entire copyright, nor other licenses that use similar terms. But the court might decide that using common-law contract principles, the contract is unconscionable or otherwise invalid.

\textbf{V. CONCLUSION}

It is difficult to predict where copyright misuse is heading in the future. Scholars seem anxious to apply it broadly, but courts, while paying lip service to its proffered rationale, seem less willing to pull the trigger. If copyright misuse is so beneficial to the public good, why have courts proceeded so tentatively?

Patent misuse began with wide-sweeping application and consequences. Initially, patentees routinely found their patents unenforceable due to a tying arrangement or another antitrust-like violation.\textsuperscript{308} Slowly but surely, courts and Congress have been backing away from this harsh remedy.\textsuperscript{309} But even as this occurs, copyright scholars and software licensees have been pushing

\textsuperscript{306} See Bell, supra note 243, at 582 ("Lawmakers enacted the Copyright Act to cure an alleged case of market failure: creating a work can cost authors a good deal, whereas copying a work costs free riders very little."). Bell candidly points out that scholars who lament the expansion of copyright owners' power are biased in that they benefit from fair use in disseminating their own and other scholarly works, and they are not personally licensing anything and thus, are not in danger of losing any fees. \textit{Id.} at 618.

\textsuperscript{307} This was the case in \textit{Lasercomb}. See \textit{Lasercomb Am., Inc. v. Reynolds}, 911 F.2d 970 (4th Cir. 1990).

\textsuperscript{308} See infra notes 26–38 and accompanying text.

\textsuperscript{309} See infra notes 39–50 and accompanying text.
copyright misuse to the forefront. From its early recognition in a blanket licensing scheme to its revival by the Lasercomb court, copyright misuse seems to be gaining popularity.310

There are numerous reasons why copyright misuse is not a valid defense and should be eliminated. It provides absurd incentives for potential infringers311 and creates standing where none existed before.312 Further, the scope of copyright protection is inherently subjective and it is overly burdensome to punish copyright holders for good-faith attempts at enforcing their rights.313 Additionally, while patents and copyrights have some similarities, they are sufficiently distinct such that their remedies do not always overlap smoothly.314 Finally, we should enforce contracts that were bargained-for exchanges with due consideration.315

Without copyright misuse, we can still protect licensees from companies trying to exert power with regard to software with very thin copyright protection. First, antitrust laws should provide relief to licensees who are dealing with copyright holders asserting market power unfairly.316 Further, actions like wrongful use of civil proceedings and abuse of power or copyright defenses like fair use will protect legitimate users.317 Finally, simple market economics should force copyright holders to charge competitive prices and use fair terms or their consumers will switch to competitors' products.318 Thus, a defendant who is not infringing does not need copyright misuse to win, and a defendant who is infringing should not get to use it.

There is much writing in the academy about the ever-increasing scope of the copyright power, including its term length.319 Critics argue that those who truly need the protections that copyright offers are not receiving it.320 But simply hacking away at the

310. See infra notes 57–82 and accompanying text.
311. See infra notes 147-68 and accompanying text.
312. See infra notes 169-86 and accompanying text.
313. See infra notes 187-203 and accompanying text.
314. See infra notes 204-23 and accompanying text.
315. See infra notes 224-49 and accompanying text.
316. See infra notes 254-71 and accompanying text.
317. See infra notes 272-96 and accompanying text.
318. See infra notes 297-307 and accompanying text.
319. See generally Patry & Posner, supra note 198.
320. Séverine Dusollier, The Master's Tools v. The Master's House:
licenses which are the products of copyrights is trying to apply a bandage rather than fix the root cause. To truly solve the issues identified by scholars, we must overhaul the copyright system and seriously question which works get copyright protection—and how much. However, once those owners have protections that they are relying on, it is inappropriate to yank them away.

Creative Commons v. Copyright, 29 COLUM. J. L. & ARTS 271, 289 (2006). Dusollier notes:

The copyright legislation of today too often leaves authors without any legal protection against the economic pressures of intermediaries (e.g., publishers or producers). The emphasis that policy-makers increasingly place on the economic interests of the copyright industry not only harms the users of copyrighted works, but also prejudices the individual creators who will gradually cease to see copyright as a right that exists to protect them.

Id.

Published by Via Sapientiae, 2016