The Justification and Scope of the Copyright Misuse Doctrine and Its Independence of the Antitrust Laws

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I. INTRODUCTION

The copyright misuse doctrine, a defense arising from judicial creation, allows copyright infringers to escape liability when the copyright owner has "misused" the rights granted under copyright. This defense has not been recognized by every circuit, nor has it been explicitly recognized by the Supreme Court. Perhaps the only reason why these courts have not recognized the defense is because these courts consider the copyright misuse defense to be a mere fixture of the antitrust laws and not worthy of being a separate defense judicially carved out of the Copyright Act. However, the copyright misuse defense should be recognized by every circuit and explicitly by the Supreme Court. Strong debate arises whether it exists independently of the antitrust laws or is just a mere extension of the antitrust laws.[1] This question arises because defendants in copyright infringement cases have asserted the defense when the copyright owner licenses the copyright with certain restrictions or ties such license with another product or service. The

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[1] See Sherman Act, Clayton Act, FTC Act, Robinson-Patman Act (antitrust laws enacted by Congress). In addition, please note that this article uses the term "antitrust law" and "antitrust principles" interchangeably since the bulk of antitrust analysis is based on case law.

United States Supreme Court has analyzed tying arrangements and restrictive licensing arrangements under the scrutiny of the antitrust laws.[2] This article will argue that the copyright misuse defense exists independently of the antitrust laws. In some instances, the doctrine is broader than the reach of antitrust thereby providing a defense to copyright enforcement in situations where the use of the copyright in such manner would not violate any antitrust law. Those courts that have recognized the copyright misuse defense, do so independent of antitrust laws and principles. Additionally, the article justifies the recognition of the copyright misuse defense and defines its scope and origins through analysis of statutory changes and judicial interpretation concerning the patent misuse defense, which allows the infringer of a patent to escape liability when the patent owner misuses the rights conferred by the statutory patent grant. This article also defines the scope of the copyright misuse defense through this article's discussion of the independence of the copyright misuse defense from antitrust principles and law. The shape of the copyright misuse defense is not determined by antitrust principles and law.

A. *The Origin, Scope, and Justification of the Copyright Misuse Defense*

1. The Patent Misuse Defense

The patent misuse defense, recognized by the United States Supreme Court[3] and subsequently modified by Congress,[4] can serve as a model for the copyright misuse defense. In *Motion Picture Patents Company v. Universal Film Manufacturing Company*, the Supreme Court first recognized the patent misuse defense.[5] In this case, the plaintiff owned a patent that covered a part of the mechanism used in motion picture exhibiting machines for feeding a film through the machine with a regular, uniform and accurate movement so as not to expose the film to excessive strain or wear.[6] The licensing agreement required the purchaser of the machine to use it solely with motion picture films which contained another patent owned by the plaintiff.[7] The court stated,

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[2] Eastman Kodak Co. v. Image Technical Services, Inc., 504 U.S. 451 (1992); United States v. Loew's Inc., 371 U.S. 38 (1962).

[3] *See* Motion Picture Patents Co. v. Universal Film Mfg. Co., 243 U.S. 502 (1917); Morton Salt Co. v. G.S. Suppiger, 314 U.S. 488 (1942).

[4] 35 U.S.C. § 271(d)(5).

[5] *Motion Picture Patents Co.*, 243 U.S. at 502.

[6] *Id.* at 505.

[7] *Id.* at 506.

> We are convinced that the exclusive right granted in every patent must be limited to the invention described in the claims of the patent and that it is not competent for the owner of a patent by notice attached to its machine to, in effect, extend the scope of its patent monopoly by restricting the use of it to materials necessary in its operation but which are not part of the patented invention . . .[8]

The Court found a misuse because the patent owner tried to create a monopoly in the manufacture and use of films, which was outside the scope of the patent, and such manufacture and use was not any part of the patented invention in suit.[9]

2. The Recognition of a Copyright Misuse Defense Based on the Recognition of a Patent Misuse Defense is Justified On Grounds of the Similar Public Policies Underlying Patent and Copyright Law

The similar public policy goals and interests of both patent and copyright law justify the extension of the misuse defense to the area of copyright law.

In *Lasercomb America, Inc., v. Reynolds*, the Fourth Circuit recognized a copyright misuse defense based on the recognition of the patent misuse defense.[10] Lasercomb America developed a software program where a designer could use the program to create a template of a cardboard cutout on a computer screen and the software directed the mechanized creation of the conforming steel rule die.[11] In this case, defendants copied the software program almost entirely and marketed the program.[12] In defense of the infringement, defendants argued copyright misuse based on language in Lasercomb America's standard licensing agreement restricting licensees from creating any of their own die-making software.[13] The duration of the agreement was for ninety-nine years.[14]

In *Lasercomb*, the court stated that a "misuse of copyright defense is inherent in the law of copyright just as a misuse of patent defense is inherent in patent law."[15] The court believed that the similarity of the rationales underlying the law of patents and the law of copyrights and the parallel public policies of both patent and copyright law called for

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[8] *Id.* at 516.
[9] *Id.*
[10] Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 976 (4th Cir. 1990).
[11] *Id.* at 971.
[12] *Id.*
[13] *Id.* at 972.
[14] *Id.* at 973.
[15] *Id.*

the application of the misuse defense to infringement of a copyright in addition to infringement of a patent.[16] The United States Constitution provides Congress with the 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."[17] The court said that, "in giving Congress the power to create copyright and patent laws, the framers combined the two concepts in one clause, stating a unitary purpose—to promote progress."[18] Therefore, the public policy behind the patent and copyright laws is progress. Just as the courts recognized the patent misuse doctrine in order to prevent a patent holder from inhibiting progress, the court in *Lasercomb* recognized a copyright misuse doctrine in order to prevent a copyright holder from inhibiting progress. Therefore, the recognition of a copyright misuse doctrine is justified. The creation of new software exemplifies progress and Lasercomb America's licensing agreement, which prevented licensees from creating any of their own software, inhibited progress.

The Supreme Court, in *Mazer v. Stein*, has also equated the public policy goals of copyright and patent law and found such public policy to be promotion of public welfare.[19] In *Mazer v. Stein*, the Supreme Court stated:

> The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of the authors and inventors in 'Science and useful Arts.' Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered.[20]

Public welfare is indirectly related to progress, which the court in *Lasercomb* viewed as the equal policy goals of patent and copyright law. The licensing agreement's restriction in *Lasercomb* on the creation of new software harmed the public welfare because potentially superior software is not made available to the public, thereby slowing down progress. This equation of the public policy goals by the Supreme Court further justifies the extension of the misuse doctrine from the patent arena to the copyright arena.

Congress, in granting patents and copyrights, recognized the public benefit and welfare from authors and inventors introducing inventions and creative works to the public. In order to encourage such efforts, the federal government grants authors and inventors exclusive rights in

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[16] *Id.* at 974.
[17] U.S. CONST. art I, § 8, cl. 8.
[18] *Lasercomb America, Inc.*, 911 F.2d at 975.
[19] Mazer v. Stein, 347 U.S. 201, 219 (1953).
[20] *Id.*

their works for a limited time. The patent misuse defense, recognized by the Supreme Court,[21] exists as a way to allow patent law to reward inventors and, at the same time, ensure public benefit and welfare by preventing patent holders from abusing their rights and inhibiting public benefit and welfare.

Similarly, the copyright misuse defense has been recognized and should continue to be recognized as a way to allow copyright law to reward authors and at the same time ensure public benefit and welfare by preventing copyright holders from abusing their rights and inhibiting public benefit and welfare. The Second, Fourth, Fifth, Seventh, Eighth, Ninth, and Federal Circuits have recognized the copyright misuse doctrine.[22] The Supreme Court, however, has never explicitly recognized the copyright misuse defense and has only given tacit approval of the copyright misuse defense in *United States v. Loew's*.[23]

3. The Scope of the Patent Misuse Defense Serves as a Model for the Copyright Misuse Defense and the Scope is Defined by the Similar Public Policy Considerations of Both Patent and Copyright Law

Since the court in *Lasercomb* recognized a copyright misuse defense based on the recognition of a patent misuse defense on grounds of the similar policies underlying patent and copyright law, perhaps the scope of patent misuse parallels the scope of copyright misuse. Since policy can serve as a guide for scope, then policy can serve as a guide for the copyright misuse defense.

In *Morton Salt Co. v. G.S. Suppiger*, the plaintiff Morton Salt claimed that defendant had infringed Morton's patent in a salt depositing machine.[24] Plaintiff's salt tablets were not themselves patented, but its patent license required that licensees use only salt tablets produced by Morton Salt.[25] The Supreme Court found patent misuse on grounds that the "public policy which includes inventions within the granted

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[21] Motion Picture Patents Co. v. Universal Film Mfg. Co., 243 U.S. 502 (1917); Morton Salt Co. v. G.S. Suppiger, 314 U.S. 488 (1942).

[22] CBS, Inc. v. ASCAP, 607 F.2d 543, 544-45 (2nd Cir. 1979); *Lasercomb America, Inc.*, 911 F.2d at 976; Alcatel USA, Inc. v. DGI Technologies, Inc., 166 F.3d 772 (5th Cir. 1999); Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191, 1199-201 (7th Cir. 1987); United Telephone Co. of Missouri v. Johnson Publishing Co., 855 F.2d 604, 610-12 (8th Cir. 1988); Practice Mgmt. Info. Corp. v. American Medical Ass'n, 121 F.3d 516 (9th Cir.); Atari Games Corp., v. Nintendo of America, Inc., 975 F.2d 832, 846 (Fed. Cir. 1992).

[23] United States v. Loew's, 371 U.S. 38, 38 (1962).

[24] *Morton Salt Co.*, 314 U.S. at 490.

[25] *Id.* at 490.

monopoly excludes from it all that is not embraced in the invention. It equally 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."[26] The Court found misuse because Morton Salt used its patent to restrain competition in the sale of salt tablets, which themselves were not within the scope of Morton Salt's patent in the machine. Thus, the licensing agreement opposed the public policy behind patent law.

The patent misuse doctrine aims to facilitate the goals and policy behind patent law by seeking to balance the inventor's gain and public benefit together. Therefore, the patent holder's reward must commensurate with his inventive efforts, meaning that the patent holder should not receive a reward for something that he did not create and obtain benefits in a market not covered by the grant. If the patent holder were allowed to claim benefits in excess of the grant, then the patent holder would receive a windfall. The patent holder would receive a reward for something in which he did not put time and energy to invent. In addition, public welfare is harmed because the choices that the public wishes to make are constrained by the actions of the patent holder exceeding the bounds of his grant and trying to leverage his grant in protected property to control rights in a market not covered by the grant. As a result, the patent holder disrupts the balance.

For example, in *Morton Salt*, the patent holder did not invent the salt tablets. Yet, at the same time, he tried to leverage his legal property right in the machine into the salt tablet market and sought to obtain benefits in the salt tablet market, which the grant did not cover. If the patent holder were allowed to reap the benefits of the salt tablet market, he would receive a windfall because he would obtain the rewards of a market in which he invested no time or energy to create. This leveraging, in turn, constrained public choice because it forced the public to buy salt tablets from the patent holder. The constraining of public choice is inapposite to public welfare, thereby contravening the public policy behind patent law.

Due to the parallel policies behind copyright and patent law, the copyright misuse doctrine, just as the patent misuse doctrine, aims to facilitate the goals and policy behind copyright law by seeking to balance the author's gain and public benefit together. Therefore, the author's reward must commensurate with his creative efforts meaning that the author should not receive a reward for something that he did not create and obtain benefits in a market not covered by the grant. If

[26] *Id.* at 492.

the author were allowed to claim benefits in excess of the copyright grant, then the author would receive a windfall because he would receive a reward for something that he did not put time and energy in to create. In addition, public welfare is harmed, thereby contravening the public policy behind copyright law, because the choices that the public wish to make are constrained by the actions of the author who is exceeding the bounds of his grant and trying to leverage his grant in property to control rights in an area not covered by the grant. As a result, the author disrupts the balance.

Just as the property rights granted by a patent do not extend to property rights not covered by the patent, the property rights granted by a copyright do not extend to property rights not covered by the copyright. Any attempt to do so constitutes a misuse of copyright and patent. The Fifth Circuit opined in dicta that it is a misuse for a copyright holder to extend the property right held in the copyright to an area outside of the copyright when the court stated, "it is . . . likely that the public monopoly extension rationale of *Morton Salt* . . . is applicable to copyright."[27] Any attempt to restrict competition or extend the statutory grant into fields not protected by the grant of copyright, through such means as restrictive licensing or tie-ins, constitutes a misuse of both the copyright and patent. A tie-in occurs where the copyright owner or patent holder conditions the license of any rights to the copyright or patent or the sale of the copyrighted or patented product on the acquisition of a license to rights in another copyright or patent or purchase of a separate product. Restrictive licensing may include situations where the patent holder or copyright owner prohibits licensees from developing products of their own that are competitive with the product that is being licensed, as in *Lasercomb*, or where the licensees are prohibited from purchasing or licensing from competitors of the copyright owner or patent holder, i.e., an exclusive license. Tying arrangements and restrictive licensing are methods used by copyright owners and patent holders to obtain property rights outside the scope of the patent and the copyright and obtain benefits in markets outside the coverage of the grant. Therefore, both patent and copyright law's public policy goals "of increasing the store of human knowledge and arts by rewarding inventors with the exclusive rights to their works for a limited time,"[28] which are part of the larger goals of promoting progress and public welfare, are balanced. This balance exists because "the granted monopoly power does not extend to property not covered

[27] Mitchell Bros. Film Group v. Cinema Adult Theater, 604 F.2d 852, 865 (5th Cir. 1979).

[28] Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 976 (4th Cir. 1990).

by the patent or copyright."[29] At the same time, both the author and inventor receive rewards. These public policy considerations can help determine the scope of the copyright misuse doctrine. For example, the licensing agreement in *Lasercomb* required licensees to forego all internal creative endeavors, thereby withdrawing the fruits of these creative endeavors from the public. As a result, public welfare declines. A licensing agreement that harms the public welfare forces a court to find misuse in order to preserve the public policy goals of promotion of progress and public welfare behind the Copyright Act.

In fact, the court in *Lasercomb* found it easy to adopt the phraseology of *Morton Salt*, quoted above, into the copyright context by stating that, " 'the public policy which includes [original works] within the granted monopoly excludes from it all that is not embraced in the [original expression]. It equally forbids the use of the [copyright] to secure an exclusive right or limited monopoly not granted by the [Copyright] Office and which it is contrary to public policy to grant.' "[30] The court found it easy to adopt *Morton Salt*'s phraseology based on the parallel public policy considerations behind both patent and copyright law and because it is a contravention of such public policy considerations to leverage the grant to obtain benefits in a market not covered by the grant. In *Lasercomb*, the copyright owner tried to expand the rights covered by the grant because the terms of the license forbade the licensee from developing any kind of software that would be competitive with Lasercomb's software. Both Lasercomb's copyright grant and the copyright laws do not allow the hindrance of the creative efforts of competitive software designers. Through its restrictive licensing scheme, Lasercomb may have tried to attain a limited monopoly in this specific area of software not covered by the grant and may have also tried to control competition beyond the scope of the expression of its copyright, i.e., for all applications of the software's idea.[31] Since copyright does not protect ideas, Lasercomb not only tried to expand the scope of its copyright, but redefine copyright law by trying to protect attributes of the software that are outside copyright protection. Additionally, Lasercomb's contractual restraint lasted for 99 years, a length of time possibly longer than the copyright itself. Therefore, Lasercomb may have tried to expand the length of time mandated by statute for duration of the copyright.

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[29] *Id.*

[30] *Id.* at 977.

[31] 4 DAVID NIMMER & MELVILLE B. NIMMER, NIMMER ON COPYRIGHT 289 (2000).

4. The Scope of the Copyright Misuse Doctrine

Since *Morton Salt*, courts have applied patent misuse when patent owners have attempted to use their patents for price fixing, tie-ins, and territorial restrictions.[32] Moreover, Congress has codified the patent misuse defense to include tying arrangements.[33] If the scope of the copyright misuse doctrine is modeled after the patent misuse doctrine, then perhaps the copyright misuse doctrine applies when the copyright owner attempts to use the copyright for tie-ins, price fixing, and territorial restrictions. In addition, the courts have applied the copyright misuse defense to restrictive licensing schemes.[34] These restrictions are methods used by the copyright owner and patent holder to obtain benefits in markets outside the coverage of the grant, which constitutes a misuse of both the patent and the copyright. The bulk of court opinions addressing copyright misuse have involved the following categories of issues: (1) blanket licensing of copyrighted musical compositions or bundled sales of motion picture exhibition rights; (2) licensing agreements with anti-competitive clauses; (3) refusals to license; and (4) "tying" practices, in which a sale of copyrighted material, typically computer software, is conditioned upon the purchase of other commodities, such as computer hardware or maintenance services.[35] As discussed in the next section, refusals to license may no longer be considered copyright misuse.

The Supreme Court held that bundled sales and blanket licensing are examples of price fixing,[36] thereby demonstrating that the scope of the copyright misuse defense includes price fixing. Perhaps the copyright misuse defense applies to all forms price fixing and is not just limited to bundled sales and blanket licensing. Licensing agreements with anti-competitive clauses restrict consumer choice, which is detrimental to public welfare, thereby contravening the public policy goals of the Copyright Act. As previously noted, tying arrangements exemplify methods used by the copyright owner to exceed the rights covered by the grant and restrict consumer choice, thereby harming public welfare.

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[32] *Lasercomb America, Inc.*, 911 F.2d at 976.

[33] 35 U.S.C. § 271(d)(5).

[34] See *Lasercomb America, Inc.*, 911 F.2d at 976 (4th Cir. 1990); Alcatel USA, Inc. v. DGI Technologies, Inc., 166 F.3d 772 (5th Cir. 1999); Practice Mgmt. Info. Corp. v. American Medical Ass'n, 121 F.3d 516 (9th Cir.); Atari Games Corp. v. Nintendo of America, Inc. 975 F.2d 832, 846 (Fed. Cir. 1992). See sections B(3) and B(5), *infra*.

[35] Ramsey Hanna, *Misusing Antitrust: The Search For Functional Copyright Misuse Standards*, 46 STAN. L. REV. 401, 406 (1994).

[36] Broad. Music, Inc. v. Columbia Broad. System, Inc., 441 U.S. 1 (1979).

Finally, refusals to license contravene public welfare by denying to the public access to these creative works, thereby constraining public knowledge. All works, whether a computer program, a motion picture, or a documentary, are creative works because they arise from human thought processes and involve decision making on the part of its author. The public gains insight, and thus knowledge. We have all walked away from a motion picture, even one that is purely fictional, and have gained insight from a theme that it was trying to convey.

5. Statutory Changes Affecting the Scope of the Patent Misuse Doctrine May Affect the Scope of the Copyright Misuse Doctrine

If the scope of copyright misuse is modeled after patent misuse, then statutory changes affecting the scope and breadth of patent misuse are relevant to copyright misuse. The Fourth Circuit's finding of a copyright misuse defense based on the recognition of a patent misuse defense in *Lasercomb* implies the relevance of the statutory changes regarding the patent misuse defense to the copyright misuse defense. In 1988, Congress passed the Patent Misuse Reform Act (1988 Amendments), which 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: . . . (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.[37]

Section (d)(5) illustrates the tying in of a patented product to another patented or unpatented product. The Supreme Court in *Morton Salt* deemed such a practice a misuse of the patent because it resulted in an unlawful extension of the grant to products that are not protected by the particular patent.[38] The 1988 Amendments allow the tying of a patented product to another patented or unpatented product, unless the patent holder has market power. If the scope of the copyright misuse doctrine is modeled after the scope of the patent misuse doctrine and the patent misuse doctrine is affected by the 1988 Amendments, then arguably the copyright misuse defense is affected by the 1988 Amend-

[37] 35 U.S.C. § 271(d)(5).

[38] Morton Salt Co. v. G.S. Suppiger, 314 U.S. 488, 492 (1942).

ments. Therefore, it would not be a misuse of copyright for the copyright owner to require the tie-in of another copyrighted or uncopyrighted product unless the copyright owner had market power. However, in *Lasercomb*, which was decided two years after the 1988 Amendments, the court still held that it is a misuse of copyright to use the grant to control property not covered by the copyright.[39] Although *Lasercomb* involved a "tie-out" situation because the copyright owner sought to prevent the licensees from developing their own software, such "tie-out" arrangements still unlawfully extend the rights granted by the copyright and thus closely relate to "tie-in" arrangements. Therefore, the scope of "tie-out" arrangements can be defined by the scope of "tie-in" arrangements. In *Lasercomb*, the plaintiff copyright owner tied the sale of the copyrighted software to the non-development of software in which the plaintiff had no copyright. The *Lasercomb* court also made no reference to market power in its discussion. Therefore, perhaps a misuse of copyright arises when the copyright owner ties the copyrighted product to an uncopyrighted product in a license of the copyrighted product regardless of the market power of the copyright owner.

After the 1988 Amendments, the refusal to license by a copyright owner may no longer be considered a copyright misuse. This rationale arises from the fact that the 1988 Amendments exculpate the patent holder from liability for refusal to license or use any rights to the patent[40] and from the assumption that the patent misuse doctrine serves as a model for the copyright misuse doctrine.

B. *The Copyright Misuse Defense Exists Independently of the Antitrust Laws*

1. Such Independent Existence Arises Despite the Conditioning of a Finding of Market Power for Patent Misuse Under the 1988 Amendments

A major issue concerning the copyright misuse doctrine is whether it exists independently of the antitrust laws and principles. This article argues that the doctrine exists independently of the antitrust laws and principles. Through this analysis, the scope of the copyright misuse analysis is further defined. In fact, the doctrine is broader than antitrust law and principles so that it can provide a defense to copyright infringement even in cases where the misuse of the copyright would not violate antitrust laws and principles.

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[39] *Lasercomb America, Inc.*, 911 F.2d at 976.

[40] 35 U.S.C. § 271(d)(5).

If the scope of the copyright misuse defense is modeled after the scope of the patent misuse defense and the copyright misuse defense is independent of antitrust laws and principles, then legislative action and judicial analysis concerning the patent misuse doctrine cannot be ignored especially when such action and analysis carries potential antitrust overtones. Congress' restriction of the scope of the patent misuse defense in the 1988 Amendments by expressly conditioning its availability upon a finding of market power in the tie-in area[41] implies an antitrust-based patent misuse doctrine. Judge Posner opined for the 7th Circuit in *USM Corp. v. SPS Technologies* that an act cannot be a misuse of patent unless it also violates the antitrust laws.[42] In that case, Judge Posner remarked:

> Since the antitrust laws as currently interpreted reach every practice that could impair competition substantially, it is not easy to define a separate role for a doctrine also designed to prevent an anticompetitive practice – the abuse of a patent monopoly. 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 day to try to develop one without in the process subjecting the rights of patent holders to debilitating uncertainty.[43]

However, in the copyright context, *Lasercomb*, which was decided subsequently to the 1988 Amendments and *USM Corp. v. SPS Technologies*, adopted *Morton Salt*'s emphasis on public policy considerations and concluded that "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 . . . but whether the copyright is being used in a manner violative of the public policy embodied in the grant of a copyright."[44] The court made no reference to market power in its analysis, thereby further demonstrating the independence of the copyright misuse doctrine from antitrust principles and laws. Therefore, in order for a court to find misuse of copyright, the misuse need not violate antitrust laws, but public policy. Additionally, market power is not the sole precondition for an unlawful tying under the antitrust laws.[45] Under the antitrust laws, in addition to the requirement of market power in the tying product market, a tying arrangement is unlawful if: two separate products determined by two different consumer demand curves exist;

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[41] *Id.*

[42] USM Corp. v. SPS Technologies, 694 F.2d 505, 512 (7th Cir. 1982).

[43] *Id.* at 512.

[44] *Lasercomb America, Inc.*, 911 F.2d at 978.

[45] Jefferson Parish Hosp. Dist. No. 2 v. Hyde, 466 U.S. 2, 12–18 (1984).

the defendant forces its customers to take the tied product in order to obtain the tying product; and the arrangement affects a substantial volume of interstate commerce.[46] Therefore, despite the reference to market power in the 1988 Amendments, a finding of copyright misuse is not preconditioned upon a violation of the antitrust laws.

Additionally, there is an indication that even the patent misuse doctrine is independent from the antitrust laws. Fifteen years after *USM Corp.*, the Federal Circuit in *B. Braun Medical, Inc. v. Abbot Labs.* stated that, "the patent misuse doctrine, born from the equitable doctrine of unclean hands, is a method of limiting abuse of patent rights separate from the antitrust laws."[47] Even one of the key cases first establishing the patent misuse doctrine, *Morton Salt v. G.S. Suppiger*, did not rely on an antitrust violation to find a misuse, reasoning that it is unnecessary to decide the existence of a violation of antitrust law where the patent holder's practices are contrary to public policy.[48] If the patent misuse doctrine serves as a model for the copyright misuse doctrine and a finding of patent misuse is not conditioned upon a finding of an antitrust violation, then the copyright misuse doctrine limits abuse of copyrights independently of the antitrust laws.

2. The Copyright Misuse Defense Arose from Equitable Principles, Not Antitrust Principles, Therefore It Is Independent of Antitrust Principles

The copyright misuse defense "has its historical roots in the unclean hands defense."[49] Since the unclean hands defense is an equitable defense and serves as a basis for the copyright misuse defense, then the copyright misuse defense is an equitable defense as well. The patent misuse defense, which serves as a model for the copyright misuse defense, also arose out of equity.[50] Both defenses sprung from equitable principles, not antitrust principles. The fact that a copyright owner can seek the equitable remedy of an injunction[51] demonstrates the equitable nature of copyright law. Therefore, if the plaintiff can seek equitable remedies under copyright law, then the defendant can also seek equitable defenses under copyright law. Since copyright misuse is one of these defenses, it follows that it must be equitable. Additionally, since the patent misuse defense serves as both foundational support

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[46] *Id.*

[47] B. Braun Med., Inc. v. Abbott Labs, Inc., 124 F.3d 1419 (Fed. Cir. 1997).

[48] Morton Salt Co. v. G.S. Suppiger, 314 U.S. 488, 494 (1942).

[49] Alcatel USA, Inc. v. DGI Technologies, Inc., 166 F.3d 772, 792 (5th Cir. 1999).

[50] *B. Braun Med., Inc.*, 124 F.3d at 1419.

[51] *See* 17 U.S.C. § 502(a).

and as a model for the copyright misuse defense, strong support exists for the equitable origins of the copyright misuse defense. Such support for the equitable origins of the copyright misuse defense has been recognized by the judiciary.[52]

The relationship between the copyright misuse defense and unclean hands illustrates the doctrine's dependence on equity, not antitrust law. "Unclean hands" is recognized only when the plaintiff's transgression is of serious proportions and relates directly to the subject matter of the claim brought forth by the plaintiff.[53] Such transgression must either harm or prejudice a defendant in some way, or alternatively, it must be shown that the plaintiff participated in the very wrong with which the defendant is charged.[54] In similar fashion, copyright misuse arises where the copyright owner's transgression is of serious proportions and relates directly to the subject matter of the infringement action. This transgression committed by the copyright owner involves restrictive practices imposed by the owner like tie-ins, tie-outs, and the requirement of exclusive use on the part of the licensee. The doctrine of unclean hands is asserted as an affirmative defense, just as copyright misuse is asserted as an affirmative defense. Additionally, such relationship between unclean hands and copyright misuse is substantiated by the fact that in both situations, the plaintiff copyright owner has committed a wrong and the defendant infringer escapes liability as a result. An equitable analysis does not require an antitrust analysis.

The concept of equity and the doctrine of unclean hands existed long before the enactment of the first antitrust laws. In order to satisfy the doctrine, the plaintiff must commit a wrong that need not be an antitrust law violation. Since equity involves balancing, the equitable roots of the copyright misuse defense are evident because the copyright misuse defense seeks to balance the author's gain and the public benefit. Therefore, since the copyright misuse defense grew out of the equitable doctrine of unclean hands, the finding of the defense is not conditioned upon a finding of antitrust law violations, but rather equitable violations. Thus, the doctrine exists independently of antitrust law.

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[52] Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 978 (4th Cir. 1990).
[53] *See* NIMMER, *supra* note 31, at 293.
[54] *Id.*

3. The Absence of Antitrust Analysis in Relevant Case Law Analyzing the Copyright Misuse Defense Demonstrates Its Equitable Nature

The analysis used by the courts in cases recognizing the copyright misuse defense is independent of the antitrust laws since no reference was made to the Sherman Act, the Clayton Act, the FTC Act, Robinson-Patman Act or any other antitrust act[55] when analyzing the copyright misuse defense. Rather, the courts' analyses have been based on equitable principles, which demonstrates the viability of copyright misuse as a doctrine independent of antitrust laws and principles. The wrong that the copyright owner commits, thus permitting an affirmative defense, is misuse of the copyright itself. An analysis based in equity, not antitrust, determines a finding of misuse. In addition, such case law determines the scope of copyright misuse.

The court in *Lasercomb*, relying on the independence of patent misuse from antitrust analysis, held that in the copyright context, "a misuse need not be a violation of antitrust law in order to comprise an equitable defense to an infringement action."[56] In fact, the court held that the analysis used in determining a copyright misuse is "similar to but separate from the analysis necessary to a finding of antitrust violation."[57] The copyright misuse defense derives from equitable principles, not antitrust principles. As in the case of patent misuse, courts do not find it necessary to find copyright misuse by using an antitrust analysis.

The Ninth Circuit has recently affirmed the copyright misuse defense and its independence of antitrust analysis in *Practice Management Info. Corp. v. American Medical Association*.[58] In this case, the American Medical Association (AMA) obtained a copyright in a coding system that enabled physicians and others to identify certain medical procedures with precision.[59] AMA licensed the coding system to the Health Care Financing Administration (HCFA). Under the terms of the license, HCFA agreed not to use any other coding system and agreed to use the coding system in programs administered by the HCFA.[60] Practice Management, a publisher and distributor of medical

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[55] *See Lasercomb America, Inc.*, 911 F.2d at 978; Alcatel USA, Inc. v. DGI Technologies, Inc., 166 F.3d 772 (5th Cir. 1999); Practice Mgmt. Info. Corp. v. American Medical Ass'n, 121 F.3d 516 (9th Cir.); Atari Games Corp. v. Nintendo of America, Inc. 975 F.2d 832, 846 (Fed. Cir. 1992).

[56] *Lasercomb America, Inc.*, 911 F.2d at 978.

[57] *Id.* at 979.

[58] *Practice Mgmt.*, 121 F.3d at 516.

[59] *Id.* at 517.

[60] *Id.*

books, purchased copies of the coding system from AMA for resale.[61] After failing to obtain the volume discount it requested, Practice Management sought a declaratory judgment that AMA misused its copyright by entering into the agreement that required HCFA to use of the coding system to the exclusion of any other code.[62]

As in *Lasercomb*, the party complaining of copyright misuse was not a party to the actual licensing agreement that was the subject of the copyright misuse claim. However, unlike in *Lasercomb*, the party alleging copyright misuse, Practice Management, had not actually infringed AMA's copyright. Therefore, copyright misuse was not asserted as a defense to an infringement action. Despite these differences, the court relied on *Lasercomb* in holding that the license violated the "public policy embodied in the grant of a copyright."[63]

The court held that "conditioning the license on HCFA's promise not to use competitors' products constituted a misuse of the copyright by AMA."[64] As already stated, the public policies behind copyright law are public welfare and progress. The requirement of exclusivity imposed on the licensee by AMA violated the public policy behind copyright law because this exclusivity restricted the licensee's choice and prevented HCFA from developing its own coding system. This restriction of HCFA's creative efforts is detrimental to public welfare because it prevents the injection of new creative works into the public. As a result, progress slows down because of the potential of HCFA to not create a superior coding system. In *Practice Management*, the Ninth Circuit agreed with the Fourth Circuit's determination in *Lasercomb* that the copyright misuse doctrine exists independently of the antitrust laws when it held that "a defendant in a copyright infringement suit need not prove an antitrust violation to prevail on a copyright misuse defense."[65] Just as in *Lasercomb*, no part of the opinion goes through an antitrust analysis.

The Federal Circuit implicitly recognized the copyright misuse defense, by application of Ninth Circuit law, in another computer software licensing case, *Atari Games Corp. v. Nintendo of America, Inc.*,[66] though it did not explicitly find misuse in that case. Nintendo designed a program, the 10NES, to prevent its home video game system

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[61] *Id.* at 518.
[62] *Id.*
[63] *Id.* at 521 (citing *Lasercomb America, Inc.*, 911 F.2d at 977).
[64] *Id.*
[65] *Id.*
[66] Atari Games Corp. v. Nintendo of America Inc., 975 F.2d 832, 846 (Fed. Cir. 1992).

(NES) from accepting unauthorized game cartridges.[67] Rival home video game system manufacturer Atari could not replicate the 10NES code to make its cartridges compatible with the NES, so Atari obtained a license from Nintendo.[68] The terms of the license formed the source of Atari's copyright misuse defense. Under the terms of the license, Nintendo would take Atari's games, place them in cartridges containing the 10NES program, and resell them to Atari.[69] Atari could then market the game to owners of NES.[70] The standard licensing exclusivity provision stated the following:

> Licensee agrees to sell the Licensed Products for use only in conjunction with the NES. For a period or two years following the date of first sale by Licensee of any Licensed Products pertaining to any particular video game program developed by Licensee under this agreement, Licensee will not adapt or offer such video game program or any derivatives of such video program, for use in any: (a) other video home system; or, (b) home computer system.[71]

Atari then fraudulently obtained a copy of the 10NES code from the copyright office by falsely stating that Atari was a defendant in an infringement action and that Atari needed a copy of the program for that litigation.[72] From this copy, Atari deciphered the 10NES program and developed its own program to unlock the NES, which gave Atari access to NES owners without Nintendo's strict licensing conditions. Nintendo sued Atari for copyright infringement.[73]

Though the court did not apply the copyright misuse defense to Nintendo's licensing scheme due to Atari's method of obtaining the 10NES code, it can be implied that Nintendo's licensing restrictions violated the public policy behind the copyright laws. The lower court's finding that the restrictions imposed by Nintendo did not "restrain the creativity of Nintendo licensees and thereby thwart the intent of the patent and copyright laws,"[74] was not disturbed. Though the court did not bother to examine whether such restraint existed because of Atari's actions, it can be implied from the lack of disturbing the lower court's findings that the scope of the copyright misuse defense applies to situations where licensing restrictions restrain the creativity of licensees and frustrate the intent of the patent and copyright laws. The public policy

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[67] *Id.* at 836.
[68] *Id.*
[69] *Id.*
[70] *Id.* at 845.
[71] *Id.*
[72] *Id.* at 837.
[73] *Id.* at 846.
[74] *Id.*

goals behind copyright, public welfare and progress, were inhibited because such creative works, in this case compatible video games, were only made available to competing home video game system manufacturers after two years following the date of first sale of video games containing Nintendo's lockout program. Therefore, public access to these creative works became restrained. Creativity facilitates public welfare and progress. The court recognized that since such a defense had been recognized in the area of patent law, the similar policy goals of both patent and copyright law suggest that a misuse defense should be recognized in the area of copyright.[75] Additionally, the court also referred to the Supreme Court's "tacit approval" of the copyright misuse defense in *United States v. Loew's, Inc.*[76] Therefore, the Federal Circuit, by implication, recognized a copyright misuse defense though not applying it to the facts of the case.

The Federal Circuit did not apply the copyright misuse defense in *Atari* because the court, applying Ninth Circuit law, stated that the defense is "solely an equitable doctrine . . . any party seeking equitable relief must come to the court with 'clean hands' . . . the doctrine of unclean hands can also preclude the defense of copyright misuse."[77] In this statement, the Federal Circuit recognized the independence of the copyright misuse doctrine from the antitrust laws by characterizing it as "solely an equitable doctrine."[78] Additionally, the court limited the scope of the doctrine to cases where the party asserting the defense came to the court with "clean hands" when it stated, "any party seeking equitable relief must come to the court with clean hands. . . the doctrine of unclean hands can also preclude the defense of copyright misuse."[79] In the court's view, unclean hands on the part of the infringing party prevent the infringing party from asserting the copyright misuse defense. Therefore, the court held that even if the Ninth Circuit recognized a copyright misuse defense, Atari had "unclean hands" because it lied to the copyright office in order to obtain the 10NES Code.[80] As a result, Atari could not assert the copyright misuse defense. More specifically, from the court's rationalization it appears that the use of unclean hands, particularly fraud on the copyright office, in order to

[75] *Id.* (citing *Loew's*, 371 U.S. at 38).

[76] *Id.*

[77] *Id.* at 846.

[78] *Id.*

[79] *Id.*

[80] *Id.* at 846-47. Note that this case was decided before Practice Mgmt. Corp. v. American Medical Association, in which the Ninth Circuit expressly recognized the copyright misuse defense and found misuse in that case.

actually commit the infringement, precludes the affirmative defense of copyright misuse.

However, if the court had actually applied the copyright misuse defense to the facts of the case, it would probably find that the restrictive licensing scheme used by Nintendo would probably fall within the scope of copyright misuse. This is because Nintendo conditioned the license of its copyright lockout program on the acceptance of contract provisions that gave Nintendo control over the "public distribution and adaptation (derivative) rights"[81] that belonged to the competing third party software developers, i.e., the licensees, because they owned the copyright in the video games since they created the video games. Nintendo would gain control over these rights because licensees could not adapt or offer such NES compatible video game programs or any derivatives of such video game program for use in any other home video system or home computer system for a period of two years following the date of first sale of video games containing Nintendo's copyrighted lockout program. Through these licensing restrictions, Nintendo attempted to maintain or increase its status in the video game market. Such action constituted copyright misuse because Nintendo did not own nor create the copyright in the video games of the licensees, yet it was seeking to use the copyright that it owned in the lockout program as a means to control the public distribution and adaptation rights that the licensees possessed by virtue of their ownership in the copyright of the video game. As a result, Nintendo leveraged its grant of copyright in the lockout program as a method to attain rights outside its copyright which is the basic principle underlying the copyright misuse doctrine.

An argument could be made that the Federal Circuit still should have applied the copyright misuse defense even though the infringing party came to the court with unclean hands. The copyright misuse defense grew out of the unclean hands doctrine.[82] Under both the unclean hands doctrine and the copyright misuse defense, the defendant infringer is immunized from liability because both parties committed a wrong. The concept of "unclean hands" refers to the hands of the plaintiff copyright owner, not the hands of the defendant infringer. The defendant's hands are already dirty. In cases involving the copyright misuse defense and the doctrine of unclean hands, the defendant ad-

[81] 17 U.S.C. § 106 states: " the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:. . .(2) to prepare derivative works based upon the copyrighted work. . .(3) to distribute copies. . . of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending."

[82] Hanna, *supra* note 35, at 404.

mits to a wrongdoing, but pleads an affirmative defense. Therefore, in *Atari Games Corp. v. Nintendo of America Inc.*, it should not have mattered that the defendant, Atari, committed fraud on the copyright office in order to infringe Nintendo's copyright. Atari still committed infringement, and Nintendo's hands became dirty when it misused its copyright because the restrictive terms of the licensing agreement violated the public policy behind copyright law. The Federal Circuit misunderstood the definition of the unclean hands doctrine.

The Fifth Circuit recently affirmed the copyright misuse defense in *Alcatel USA, Inc. v. DGI Technologies, Inc*[83] without reference to any antitrust laws or principles in the independent part of the opinion recognizing and analyzing the copyright misuse defense, thereby further demonstrating the independence of the copyright misuse defense from antitrust laws and principles. Though the defendant asserted violations under the Sherman Act, the court analyzed and rejected these claims in an independent part of the opinion.[84] If the copyright misuse doctrine depended on antitrust laws and principles, then the court would not have separated the discussion of the copyright misuse and Sherman Act claims. Defendant's loss on the antitrust claim, but victory on the copyright misuse claim demonstrates the independence of the copyright misuse doctrine from antitrust laws and principles because a finding of copyright misuse is not conditioned on first finding an antitrust violation. If the defendant's case rested solely on antitrust law, it would have lost. Therefore, the copyright misuse doctrine is broader than the antitrust laws and principles. In order for it to extend beyond the antitrust laws and principles, the copyright misuse defense must be independent of the antitrust laws and principles. The outcome of the *Alcatel* decision, which came nine years after *Lasercomb*, reaffirms that part of the opinion in *Lasercomb* establishing the independence of the copyright misuse defense from the antitrust laws which states, "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. . . but whether the copyright is being used in a manner violative of the public policy."[85] If the copyright misuse defense depended on antitrust law, then either defendant would not have lost the antitrust claim, or in the alternative, defendant would have lost on the copyright misuse defense claim in addition to the antitrust laws. The results of *Alcatel*

[83] Alcatel USA, Inc. v. DGI Technologies, Inc., 166 F.3d 772, 794 (5th Cir. 1999).

[84] *Id.* at 784.

[85] Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 978 (4th Cir. 1990).

demonstrate the logical inconsistency of concluding that the copyright misuse doctrine depends on antitrust law.

In *Alcatel*, the plaintiff Alcatel USA possessed a copyright in an operating system software for telephone switching systems that route long distance telephone calls to their destinations.[86] Alcatel did not sell copies of its operating system software, as it did the switches, but instead licensed use of its operating system software pursuant to a licensing agreement.[87] The licensing agreement required each licensee to use the software only to operate the licensee's switch, prohibited the licensee from copying the software or disclosing it to third parties, and authorized the licensee to use the software only in conjunction with Alcatel-manufactured equipment.[88] Alcatel brought suit alleging DGI copied Alcatel's operating system code in DGI's attempt to develop microprocessor cards which expanded the call-handling capacity of switches.[89] DGI asserted copyright misuse as a defense.[90] Alcatel alleged that DGI acted with unclean hands because it copied and removed Alcatel's copyrighted software by telling a third party switch owners/licensee and DGI customer that it was "testing" new upgrades for microprocessor cards.[91] The court found that in order to ensure that its card is compatible; DGI must test the card on an Alcatel phone switch, which involves making a copy of Alcatel's copyrighted operating system.[92] Alcatel's licensing restrictions constituted copyright misuse because without the freedom to test its cards in conjunction with Alcatel's software, DGI became effectively inhibited from developing its own new product, the microprocessor cards.[93] Additionally, it was not technically feasible for DGI to use a non-Alcatel operating system to test its cards.[94] As a result, Alcatel gained a "limited monopoly" over its own uncopyrighted and unpatented microprocessor cards because DGI and any other competitor were prevented from developing microprocessor cards that could compete with Alcatel's microprocessor cards.[95] The court's reasoning was consistent with the reasoning behind *Lasercomb* because in both cases, the court found misuse where the copyright owner restricted the creative efforts of its licensees in devel-

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[86] *Alcatel USA, Inc.*, 166 F.3d at 777.
[87] *Id.*
[88] *Id.*
[89] *Id.* at 777-78.
[90] *Id.* at 792.
[91] *Id.* at 779.
[92] *Id.* at 793.
[93] *Id.* at 794.
[94] *Id.*
[95] *Id.*

oping competitive software resulting in an unlawful extension of the copyright grant. In addition, public welfare would be harmed and progress constrained because DGI would be prevented from advancing technology by developing better microprocessor cards.

In *Alcatel*, the court also correctly analyzed the unclean hands doctrine, unlike the Federal Circuit in *Atari*. Despite a finding that DGI acted with unclean hands in the deceptive ways that it acquired and used Alcatel's copyrighted software, firmware and manuals, the court still found a copyright misuse, stating that Alcatel's "hands alone that must pass the hygienic test."[96] When looking at unclean hands, the focus is on the plaintiff copyright owner, not the defendant/infringer. Therefore, the actions of the defendant infringer are irrelevant.

4. The Copyright Misuse Doctrine Is Broader than Antitrust Principles in Determining when Possession of a Monopoly Becomes Unlawful

Though the court in *Alcatel* used the term "limited monopoly," which is an antitrust term, its analysis is still independent of the antitrust laws for two reasons. First, the court made no reference to section two of the Sherman Act, which deals with unlawful monopolies, in the section of the opinion specifically analyzing and applying the copyright misuse defense. Second, an unlawful monopoly under section two of the Sherman Act requires two elements: "(1) the possession of monopoly power in the relevant market and (2) the willful acquisition or maintenance of that power as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident."[97] The fact that a monopoly is unlawful under the Sherman Act only if a court finds the satisfaction of the additional element of "willful acquisition or maintenance of that power"[98] further demonstrates the copyright misuse defense's independence of the antitrust laws because there is no corresponding requirement for a finding of copyright misuse.

The *Alcatel* court found copyright misuse where the copyright owner tried to use the copyright to obtain a limited monopoly in an area not covered by the grant.[99] Though possession of a copyright creates a presumption of a monopoly,[100] as discussed in Section B(7), such presumption is rebuttable, if inaccurate. Therefore, the copyright may

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[96] *Id.*

[97] United States v. Grinnell Corp., 384 U.S. 563, 570-71 (1966).

[98] *Id.*

[99] Alcatel USA, Inc. v. DGI Technologies, Inc., 166 F.3d 772, 793 (5th Cir. 1999).

[100] United States v. Loew's Inc., 371 U.S. 38, 45-47 (1962).

not be a monopoly in the first place. As a result, once the copyright owner uses the copyright and actually obtains a limited monopoly in an area not covered by the copyright, misuse will be found even if the copyright itself is not considered a monopoly. Whether there is "willful acquisition or maintenance"[101] of the newly acquired monopoly becomes irrelevant. Misuse will be found even though the copyright owner did not initially possess a "monopoly" in the area in which the owner has a copyright. Additionally, a court will find copyright misuse even if the monopoly is "limited" which further lowers the threshold for finding an unlawful monopoly and strengthens the argument that the copyright misuse doctrine is broader than antitrust principles in determining when possession a monopoly becomes unlawful.

The leveraging of the monopoly in one market into another market can satisfy the "willful acquisition or maintenance"[102] of the monopoly requirement under section two of the Sherman Act. An argument cannot be made that obtaining a limited monopoly in one area not covered by the grant equates to leveraging the monopoly in one market into another market. This is because the presumption that possession of a copyright causes monopoly power is rebuttable, if inaccurate. Since the copyright owner may not possess a monopoly in the first place, the owner cannot leverage the monopoly in one market into another market because there is no monopoly to be leveraged. Also, such presumption may be inaccurate because as discussed in Section B(7), use of market analysis and monopoly terminology may be erroneous.

Therefore, the copyright misuse defense finds liability in a broader context than the antitrust laws and principles because no "willful acquisition or maintenance"[103] of the monopoly is required. As a result, copyright misuse is easier to find than a violation of section two of the Sherman Act. Thus, the copyright misuse doctrine is broader than the antitrust laws in determining when possession of a monopoly becomes unlawful. In order for this expanded reach of the copyright misuse doctrine to occur, it necessary follows that the copyright misuse defense does not depend on antitrust principles and laws.

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[101] *Grinnell Corp.*, 384 U.S. at 570-71.

[102] *Id.*

[103] *Id.*

5. An Attempt to Define the Enhancements to the Scope of Copyright Misuse from the Recent Case Law

The recent case law examined above has enhanced the scope of the copyright misuse defense. Generally, misuse will be found where the copyright owner tries to leverage the rights embodied in the grant of copyright into areas not covered by the grant thereby allowing the owner to unlawfully attain rights not covered by the grant. This can occur in several ways. First, misuse occurs in situations where the copyright owner either indirectly limits or unduly restricts the volume or range of products, usually software, created by licensees. One example includes situations where the copyright owner tries to gain a limited monopoly over uncopyrighted and unpatented products by indirect means through licensing restrictions as in *Alcatel.* Another example may include situations where the copyright owner uses the licensing of its copyrighted product to gain control over the public distribution and adaptation rights embodied in the copyright owned by its licensees as in *Atari.* Second, misuse occurs where the copyright owner requires that the licensee exclusively use the owner's copyrighted product. Third, misuse occurs where the copyright owner ties the sale of copyrighted products with either copyrighted or uncopyrighted products. Finally, misuse occurs where the copyright owner's licensing scheme directly prohibits the development and marketing of new products, usually hardware and software programs. All but the third scenario involve restrictive licensing schemes.

6. No Automatic Connection Exists Between the Antitrust Laws and the Copyright Misuse Defense

Many courts have ruled that a plaintiff's violation of the antitrust laws does not constitute a valid defense to a copyright infringement action.[104] If the finding of copyright misuse depended on antitrust violations by the plaintiff, then these antitrust violations would become the basis of the assertion of the copyright misuse defense in an infringement action. Though there often exists a connection between the antitrust laws and copyright misuse, such a connection is not an absolute requirement for a finding of copyright misuse.

Often, an antitrust cross-complaint co-exists as the mirror image of a copyright infringement claim. However, some courts hold that a separate antitrust suit is not a necessary condition to the assertion of a misuse defense in a copyright infringement action.[105] If a finding of

[104] NIMMER, *supra* note 31, at 286.
[105] *Id.* at 292.

copyright misuse depended on a finding of an antitrust violation, then it would be a necessary precondition that the infringing party bring forth an antitrust suit. Consistent with this theory is the *Lasercomb* court's holding that an antitrust violation is a sufficient, but not necessary, component of the defense and that copyright misuse might be found even in the absence of the use of the copyright to violate the antitrust laws.[106]

7. Antitrust Principles Would Be Incompatible in Defining Copyright Misuse

Antitrust principles are not necessary in defining copyright misuse standards. In fact, in many situations, it might be a mistake to use antitrust principles to evaluate copyright misuse. Antitrust violations often rest on the notion of finding market power, which requires a finding of a specified market share in the defined, relevant market. A monopoly arises when a product has a dominant market share in the defined, relevant market. The market power prerequisite, i.e., determining that there is a monopoly, is the first element needed to establish a violation under section two of the Sherman Act and a requirement for unlawful tying under section one of the Sherman Act. Liability for tying under section one exists where (1) two separate products determined by two different consumer demand curves exist; (2) the defendant forces its customers to take the tied product in order to obtain the tying product; (3) the arrangement affects a substantial volume of interstate commerce; and (4) the defendant has "market power" in the tying product market.[107]

In the antitrust case *United States v. Loew's*, the Supreme Court stated, "when the tying product is patented or copyrighted . . . sufficiency of economic power is presumed."[108] Therefore, a copyright is often referred to as a "legal monopoly" because of the presumption of market power. However, many commentators have critiqued the *Loew's* Court's presumption.[109] Even if such a presumption is warranted, it could easily be rebutted. Arguably, such presumption is even inaccurate. Copyright protection is available to any "original works of authorship,"[110] which is a minimal requirement. Originality means that

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[106] Lasercomb America, Inc., v. Reynolds, 911 F.2d 970, 977-978 (4th Cir. 1990).

[107] Jefferson Parish Hosp. Dist. No. 2 v. Hyde, 466 U.S. 2, 12-18 (1984).

[108] United States v. Loew's Inc., 371 U.S. 38, 47 (1962).

[109] J. Diane Brinson, *Proof of Economic Power in a Sherman Act Tying Arrangement Case: Should Economic Power Be Presumed When the Tying Product is Patented or Copyrighted?*, 48 LA. L. REV. 29, 34-35 & n.25 (1987) (citing other critiques of the *Loew's* court's presumption).

[110] 17 U.S.C. § 102(a).

"the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity."[111] Therefore, copyright protection will not prevent the introduction of close or identical product substitutes, further diminishing the chance of market power.

Additionally, conditioning a finding of copyright misuse exclusively on antitrust doctrine assumes distinct markets for individual copyrighted works can be defined, which is often impossible in the copyright context. Such difficulty in defining the market rebuts the presumption that possession of a copyright confers market power. Market definition is a threshold consideration in market power analysis under antitrust law. In antitrust analysis, the United States Supreme Court in *United States v. E.I. Du Pont De Nemours & Co.* held that market definition is determined by "commodities reasonably interchangeable for the same purposes—price, use, qualities considered and physical characteristics of substituted products."[112] Interchangeability means the product can be substituted. When the court defines the market broadly to include many potential substitutes, the court will find that the product confers little market power.

The "interchangeability" principle used under antitrust law to define a market should not be used to define a market for copyrighted works. In fact, use of the "interchangeable" principle further rebuts the presumption that a copyright owner has market power. Often, a high degree of substitution exists for many categories of copyrightable works thereby making it difficult to define a market that includes all copyrightable works within that category with a degree of substitutability. The greater the range of substitution, the less chance of finding market power. The fact that there is often an infinite range of substitutes for copyrightable works demonstrates the slight chance of finding market power because of the high degree of substitution, i.e., interchangeability. For example, the range of conceivable substitutes for a motion picture is infinite. In many other cases, an attempt to define the market is futile because no substitutes exist due to the high level of subjectivity, uniqueness, and individual creativity involved in the copyrighted work. Of course, there may be no substitutes even for a motion picture on the basis that every motion picture has a high level of subjectivity, uniqueness, and individual creativity. Therefore, for those works where there are no substitutes, as in a painting, it would be inaccurate to define the market because there is no market since the work is one of a kind and

[111] Feist Publ'ns v. Rural Tel. Serv. Co., 499 U.S. 340, 345 (1991).

[112] United States v. E.I. Du Pont De Nemours & Co. 351 U.S. 377, 395 (1956).

thus unique. Each painting essentially becomes its own market. For example, it is difficult to think of a substitute for a Picasso painting, yet it would be nonsensical to argue that the owner of the copyright in the Picasso painting has market power in paintings overall or even all Picasso paintings. This is because every painting is one of a kind, let alone every Picasso. Therefore, the reference to a copyright as a "legal monopoly" is erroneous and inaccurate for the Supreme Court in *United States v. Loew's* to conclude that a product's desirability and uniqueness infer economic power.[113] This is because presumption of market power should not be automatic, since defining the market in copyrightable works using antitrust standards is difficult. Since defining the market is difficult, the determination of the market share and market power becomes difficult.

Recent litigation in the software industry has raised market power issues because of the increased importance of software in everyday life, especially in business. Also, markets can be more easily defined in the software/hardware context, thus making it easier to determine market power. Computer programs dealing with application and system operations are copyrighted because they are considered part of the "literary works" category of the Copyright Act.[114] A Graphic User Interface (GUI) is generated by a computer program and allows a person to communicate with a computer via a desktop metaphor with windows, icons and pull-down menus which can be manipulated on the screen with a hand-held device called a mouse. A GUI can be registered for copyright as an audiovisual work.[115] However, consumers value such computer programs for their functional utility, not their artistic expression.[116] In addition, people value computer programs for the ideas embedded in them. Ideas and functional attributes of software are outside the scope of the copyright act.[117]

The fact that certain software companies have market power does not necessarily arise from the copyrighted aspects of the software. The non-copyrightable aspects of a computer program as well as various market factors and marketing schemes, which are not directly attributable to the product itself, allow software manufacturers to obtain market power. The success of the computer program is not solely attributable to its copyrightable elements. A computer program can often achieve

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[113] *Loew's*, 371 U.S. at 45.

[114] Apple Computer, Inc. v. Franklin Computer Corp., 714 F.2d 1240 (3d Cir. 1983); 17 U.S.C. § 102(a)(1).

[115] 17 U.S.C. § 102(a)(6).

[116] Hanna, *supra* note 35, at 415–16.

[117] Sega Enters. Ltd. v. Accolade, Inc., 977 F.2d 1510, 1519–20 (9th Cir. 1992).

monopoly power because of aspects outside the protection of the Copyright Act such as ideas. For example, Microsoft Windows, which is copyrighted, enjoys monopoly power in the operations system market. Part of Windows includes a GUI, which is a large reason behind its success, and thus Microsoft's monopoly power. In order to define this market, we look to "the price, use, qualities and physical characteristics"[118] of operations systems. The price and particular use of the system are not attributes of copyright law. Nor are a product's qualities and physical characteristics, attributes of copyright law because the Ninth Circuit found six basic ideas embedded in the desktop metaphor[119] and ideas are not copyrightable.[120] Additionally, Windows enjoys monopoly power because of Microsoft's marketing of the program and Apple's restrictive, if non-existent, licensing practices of its operating system software and hardware to other computer manufacturers. Such marketing and licensing choices of both parties are independent of copyright law. This illustration involving Windows further rebuts the presumption that possession of a copyright confers market power, i.e., monopoly power on its owner. Therefore, copyright protection standing by itself, let alone the product standing by itself, are not the only reasons why software developers and manufacturers often attain monopoly power.

8. The Copyright Misuse Defense Is Broader in the Area of Tying Arrangements Than Are Traditional Antitrust Principles

Antitrust cases involving copyrights or patents often involve "tying" the copyrighted product to an uncopyrighted product. Patent owners, under the 1988 Amendments, can condition 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 without being deemed an unlawful tying arrangement, thus running afoul of the patent misuse doctrine, as long as the patent owner does not have market power in the relevant market for the patented product.[121] Since copyright misuse is modeled after patent misuse, then the tying of a copyrighted product to an uncopyrighted product is not an unlawful tying arrangement unless the copyright owner has market power in the relevant market for the copyrighted product. Additionally, since the standards for copyrightable material are minimal, such

[118] United States v. E.I. Du Pont De Nemours &Co., 351 U.S. 377, 377 (1956).
[119] Apple Computer v. Microsoft Corp., 35 F.3d 1435, 1443-44 (9th Cir. 1994).
[120] 17 U.S.C. § 102(b).
[121] 25 U.S.C. § 271(d)(5).

unlawful tying arrangements may include situations involving the tying of a copyrighted product to another copyrighted product if that product is "an original works of authorship fixed in any tangible medium of expression."[122] If the copyright owner does possess market power, then the tying arrangement is deemed a misuse of copyright on the sole finding of market power. Alternatively, the absence of any market power discussion from the *Lasercomb* opinion, which was written two years after the 1988 Amendments, may indicate that not even market power is a necessary condition to find copyright misuse in tying arrangements, thereby further demonstrating that the copyright misuse defense is broader in the area of tying arrangements than are traditional antirust principles and law.

An unlawful tying arrangement under the Sherman Act requires three factors in addition to market power in the tying product market: two separate products determined by two different consumer demand curves; the defendant forces its customers to take the tied product in order to obtain the tying product; and the arrangement affects a substantial volume of interstate commerce.[123] Therefore, not only is the copyright misuse doctrine independent of the antitrust laws, it is also broader than antitrust law because an unlawful tying arrangement under the copyright misuse doctrine only requires the satisfaction of one factor, i.e., market power. Since the copyright misuse defense is broader in the area of tying arrangements than traditional antitrust law, the copyright misuse defense exists independently of antitrust law.

9. Application of Antitrust Principles in the Copyright Misuse Context Is Erroneous Due to the Incompatibility of Objectives and Means

While both antitrust and copyright ultimately aim to enhance public welfare, the paths that these two areas of law take to achieve this ultimate objective diverge.[124] The Supreme Court in *Stewart v. Abend* viewed the dissemination of creative works as a goal of copyright law.[125] Therefore, in order to attain public welfare, there must be a large volume of creative works available to the public. The Supreme Court recognized in *Harper & Row, Publishers, Inc. v. National Enterprises* that as an incentive to encourage innovation, creativity and the creation of new works thereby advancing the public welfare, the gov-

[122] 17 U.S.C. § 102(a).

[123] Jefferson Parish Hosp. Dist. No. 2 v. Hyde, 466 U.S. 2, 12-18 (1984).

[124] Hanna, *supra* note 35 at 419.

[125] Stewart v. Abend, 495 U.S. 207, 228 (1990).

ernment grants the author a copyright in that creative work for a limited time.[126]

Though antitrust law seeks to encourage dissemination of products, it does not seek to encourage investment or innovation in a certain endeavor or creation of new products. Antitrust law assumes that public welfare is best protected by maintaining vigorous competition.[127] The prevention of price-fixing, territorial allocation, boycotts, and monopolies maintains competition. These measures do not necessarily provide the incentive to produce and disseminate a large volume of creative material or create new products. A grant of an exclusive right, such as a copyright grant, would be viewed as contrary to the public policy of antitrust law, which would view such exclusive arrangement as a disruption to the balance of power among competitors. The public policy behind antitrust seeks to ensure that economic power is adequately dispersed among all competitors. In fact, in many situations, antitrust law forbids exclusivity in such areas as exclusive dealing and exclusive selling.[128]

Predatory pricing is a practice condemned under antitrust law,[129] but may actually facilitate the objective of copyright law to disseminate creative works. Predatory pricing arises where one competitor lowers its prices in order to sell more than its rivals. At first glance, predatory pricing appears uneconomical, but in reality, it can be part of a clever marketing scheme. Such practice becomes unlawful when the prices are "below an appropriate measure of its rival costs"[130] and the competitor has a "reasonable prospect . . . or a dangerous probability, of recouping its investment in below cost prices."[131] Under the concept of price predation, the product becomes more widely disseminated since it becomes more affordable to the general public. As a result, price predation would help achieve copyright law's objective of dissemination. Therefore, the objectives of antitrust law conflict with the objectives of copyright. As a result, the copyright misuse doctrine should continue to exist independently of the antitrust laws. An argument applying antitrust principles in the copyright misuse context is erroneous because it falsely assumes a compatibility of objectives and means.

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[126] Harper & Row, Publishers, Inc. v. Nat'l Enters., 471 U.S. 539, 558 (1985).

[127] Hanna, *supra* note 35, at 421.

[128] Valley Liquors, Inc. v. Renfield Imps., Ltd., 678 F.2d 742 (7th Cir. 1982) (unlawful exclusive selling agreement); Tampa Elec. Co. v. Nashville Coal Co., 365 U.S. 320 (1961)(unlawful exclusive dealing arrangement).

[129] Clayton Act, § 2(a), as amended by Robinson-Patman Act.

[130] Brooke Group v. Brown & Williamson Tobacco, 509 U.S. 209, 222 (1993).

[131] *Id.* at 224.

10. Copyright Misuse Analysis Does Not and Should Not Rest on Antitrust Law Because Antitrust Law and Copyright Law View Innovation and Creativity in Different Manners

In order to assess whether to base copyright misuse analysis on antitrust law, one must assess whether antitrust principles encourage innovation and creativity. Antitrust law's attitude towards innovation and creativity differ from the attitude of copyright law. Antitrust analysis relies on static single-period models that do not account for innovation and its effect on consumer welfare.[132] In static single-period models, an investment is assumed to last for a set time period and the focus is on two possible fixed values at the end of that time period. The investment can go up or down, usually on a percentage basis. These models do not take into account fluctuations in value that occur between the start of the investment and the end of the investment. In order for innovation and creativity to occur, these fluctuations must be examined.

Antitrust analysis uses these models to define markets and determine market power, which make up the root of antitrust principles and law. An attempt to define markets for copyrighted products runs the risk of ignoring the creativity that goes into their creation. As mentioned earlier, there is often such a high degree of creativity, uniqueness and subjectivity in a copyrighted work that defining the market for copyrighted products often becomes difficult. The author's creativity is often fixed into a unique tangible form of expression that cannot be constrained by the limited boundaries of market definition. Since antitrust analysis relies on these models, which do not take into account innovation, antitrust principles do not encourage innovation and creativity. In the copyright context, due to the uncertainty of the outcome of innovation, authors who produce socially desirable and commercially successful works must be guaranteed large profits, beyond the fair market value of their time and expenses, to compensate them for the ex ante risk of investing in innovation.[133] Antitrust law's focus on marginal or average cost pricing assumes that innovation is a controlled, continuous process.[134] Since antitrust law does not encourage creativity or innovation and its attitude towards innovation and creativity differs from that of copyright, the copyright misuse doctrine is not and should not be based on antitrust principles.

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[132] ANTITRUST, INNOVATION, AND COMPETITIVENESS (Thomas M. Jorde & David J. Teece eds., 1992) 3–4.

[133] Hanna, *supra* note 35, at 426.

[134] *Id.*

II. CONCLUSION

The recognition of the copyright misuse defense is justified based on the recognition of a patent misuse defense and the shared public policy goals of both patent and copyright law. The scope of the copyright misuse defense is based on the statutory law and case law affecting the patent misuse defense. Additionally, the scope of the copyright misuse defense is defined through this article's discussion of the independence of the copyright misuse defense from antitrust laws and principles. Copyright misuse generally arises where the copyright owner tries to leverage the rights embodied in the grant of copyright into unprotected areas thereby allowing the copyright owner to unlawfully attain rights not covered by the grant. One situation is where the copyright owner either indirectly limits or unduly restricts the volume or range of products created by licensees. Such examples includes situations where the copyright owner tries to gain a limited monopoly over uncopyrighted and unpatented products by indirect means through licensing restrictions or where the copyright owner uses the licensing scheme of its copyrighted product to gain control over the public distribution and adaptation rights embodied in the copyright owned by its licensees. Misuse occurs where the copyright owner requires that the licensee exclusively use the owner's copyrighted product. Also, misuse occurs where the copyright owner ties the sale of copyrighted products with either copyrighted or uncopyrighted products. Finally, misuse occurs where the copyright owner's licensing scheme directly prohibits the development and marketing of new products, usually hardware and software programs.

In addition, the copyright misuse defense should continue to exist independently of the antitrust laws and principles. The copyright misuse defense arose from equitable principles, not antitrust principles; therefore it is independent of antitrust principles. Antitrust analysis is absent from the relevant case law, which demonstrates the equitable nature of the copyright misuse defense. The copyright misuse doctrine is broader than antitrust principles in determining when possession of a monopoly becomes unlawful. No automatic connection between the antitrust laws and the copyright misuse defense exists. Antitrust principles would be incompatible in defining copyright misuse. In the area of tying arrangements, the copyright misuse defense is broader than traditional antitrust law, which further demonstrates the independence of the doctrine from antitrust law. The application of antitrust principles in the copyright misuse context is erroneous due to the incompatibility of objectives and means. Copyright misuse analysis does not and should not rest on antitrust law because antitrust law and copyright law

view innovation and creativity in different manners. For these reasons, the copyright misuse defense should be recognized by every circuit in the nation and explicitly by the Supreme Court. The time has come to recognize that the copyright misuse is a viable defense that is not a mere fixture of the antitrust laws.