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The Viability of the Copyright Misuse Defense

David Scher

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Student Note

THE VIABILITY OF THE COPYRIGHT MISUSE DEFENSE

I. Introduction

Under the equitable doctrine of "unclean hands," courts will deny an otherwise meritorious claim where the claimant has acted so improperly that the need to punish the claimant's wrongful behavior outweighs the need to punish the defendant's allegedly unlawful conduct.[1] The principle underlying the doctrine is that equity presumes harm when an unclean plaintiff obtains relief; consequently, one who desires justice must come into court with a "clean slate."[2] The theory of intellectual property misuse, which stems from the "unclean hands" doctrine,[3] prevents a plaintiff from enforcing an intellectual property right if that plaintiff is guilty of misconduct with respect to that right.[4]

The misuse doctrine[5] originated in the field of patent law[6] as an affirmative defense to patent infringement suits.[7] Because the patent grant[8] is limited to specific claims as defined by the patent,[9] a paten-

1. Playboy Enterprises v. Chuckleberry Publishing, 486 F. Supp. 414, 435 (S.D.N.Y. 1980). To invoke "unclean hands" in copyright actions, for example, the defendant must prove that the plaintiff's "transgression is of serious proportions and relates directly to the subject matter of the infringement action." MELVIN NIMMER AND DAVID NIMMER, NIMMER ON COPYRIGHT §§ 13-148.1-49 (1992).

2. Broadcast Music, Inc. v. Hearst, 746 F. Supp. 320, 329-30 (S.D.N.Y. 1990).

3. Erickson v. Trinity Theatre, Inc., No. 91 C 1964, 1992 U.S. Dist. LEXIS 2690, at *35 (N.D. Ill. March 6, 1992); *Hearst*, 746 F. Supp. at 329-30.

4. *See supra* note 3.

5. The misuse defense is a claim by the defendant that the plaintiff has improperly extended the patent beyond its four corners, requiring dismissal of plaintiff's suit for infringement. *See infra* notes 6-17 and accompanying text.

6. Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488 (1942); *see also* United States Gypsum Co. v. National Gypsum Co., 352 U.S. 457 (1957); qad, inc. v. ALN Assoc., 770 F. Supp. 1261, 1266-67 (N.D. Ill. 1991), *aff'd in part and dismissed in part on other grounds*, 974 F.2d 834 (7th Cir. 1992) (because the district court did not render a final judgment on the copyright issues, the Seventh Circuit lacked jurisidiction to review the district court's holding with respect to the copyright misuse defense); ERNEST LIPSCOMB, WALKER ON PATENTS § 22:10, at 452 (1992). A patent is the written embodiment of an invention. The description of the invention in the patent is called the "specification," which is broken down into parts called "claims." 35 U.S.C. § 112 (1988). *See generally* ROBERT HARMON, PATENTS AND THE FEDERAL CIRCUIT § 5.1, at 115-16 (1991).

7. Jere M. Webb & Lawrence A. Locke, *Intellectual Property Misuse: Recent Developments in the Misuse Doctrine*, 73 J. PAT. & TRADEMARK OFF. SOC'Y 339, 339 (May 1991). In general, a patent infringer is one who makes, uses or sells a patented invention without the permission of the patent owner. 35 U.S.C. § 271 (1988).

8. A patent grant extends to the creator of a useful invention the exclusive right to make, use or sell that invention throughout the United States for a period of 17 years. 35 U.S.C. § 154 (1988). *See generally* HARMON, *supra* note 6 § 1.1, at 3-5.

tee[10] cannot be permitted to extend his property right beyond the four corners of the patent.[11] A patentee who intentionally[12] and illegally extends his property right will be found guilty of patent misuse, barring him from enforcing his patent until the improper conduct is corrected or "purged."[13]

The rationale for preventing enforcement of a misused patent is that society in general is harmed when a patentee impermissibly withholds, under color of the patent, something which is not part of the patent, and therefore, does not belong to him.[14] Consequently, misuse is an equitable defense,[15] which an alleged infringer can raise regardless of whether he has been affected in any way by the alleged misuse.[16] As such, the misuse doctrine serves an important public purpose in patent law by preventing a patentee from reaping where he has not sown.[17]

Like patent law, copyright law also serves the public interest by granting the creator broad and exclusive rights to his work, while preventing the creator from claiming that which is not his.[18] How-

9. Motion Picture Patents Co. v. Universal Film Mfg. Co., 243 U.S. 502 (1917); Smithkline Diagnostics, Inc. v. Helena Laboratories Corp., 859 F.2d 878, 882 (Fed. Cir. 1988).

10. A "patentee" is the owner of a patented invention. *See generally* HARMON, *supra* note 6, § 1.1, at 3-5.

11. Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488, 490-92 (1942). The "four corners of a patent" refers to everything within the claims of a patent, to the exclusion of all else. *Smithkline Diagnostics, Inc.*, 859 F.2d at 882; *see generally* HARMON, *supra* note 6, § 5.6, at 138-54. Thus, the lawful scope of a patent is necessarily defined by its claims. HARMON, *supra* note 6, § 5.6, at 138-54. Although some commentators have argued that there is no general theory of misuse, *see, e.g.*, Note, *Clarifying the Copyright Misuse Defense: The Role of Antitrust Standards*, 104 HARV. L. REV. 1289, 1295-96 (1991), this is plainly not so. The court simply defines the scope of the patent, and then determines, on equitable grounds, if the patentee has extended his property right beyond this scope. *Morton Salt Co.*, 314 U.S. at 492-94; LIPSCOMB, *supra* note 6, § 22:10, at 452-53.

12. Bad faith is necessary to a finding of misuse. LIPSCOMB, *supra* note 6, § 22:10, at 452; Carpet Seaming Tape Licensing Corp. v. Best Seam, Inc., 616 F.2d 1133 (9th Cir. 1980), *cert. denied*, 464 U.S. 818 (1983). The misuse defense is unavailable against a patentee who mistakenly extends his patent right beyond its proper scope. *Id.* at 1140-41.

13. United States Gypsum Co. v. National Gypsum Co., 352 U.S. 457, 465 (1957); B.B. Chem. Co. v. Ellis, 314 U.S. 495, 498 (1942); *Morton Salt*, 314 U.S. at 493. An example of patent misuse is the practice (known as "tying") of forcing a licensee (one who purchases a license) to purchase an unpatented product along with the patent license. *Morton Salt*, 314 U.S. at 492-95; *see infra* notes 32-42 and accompanying text.

14. *Morton Salt*, 314 U.S. at 494; LIPSCOMB, *supra* note 6, § 28:32, at 335-37.

15. LIPSCOMB, *supra* note 6, § 28:32, at 335-37.

16. *Id.*

17. *Id.*

18. Webb, *supra* note 7, at 340. In the United States, a copyright grant extends to the creator of an original work of authorship, fixed in any tangible medium of expression, the

ever, the applicability of the misuse doctrine to copyright law is in doubt among the courts.[19] This Note argues that the misuse doctrine, long established in patent law, should be fully extended to copyright law. Like patent misuse, copyright misuse should be an affirmative and equitable defense to a suit for infringement.[20] A copyright holder, like a patentee, should not be permitted to enforce his copyright if he intentionally extends the copyright grant beyond its lawful scope.[21] Recognition of a copyright misuse defense will serve purposes similar to the patent misuse defense, preventing copyright owners from deliberately overextending copyright grants.[22]

Although the misuse defense was discussed in the context of a copyright action in dictum as early as 1948,[23] the first court to employ the misuse defense to actually render a copyright unenforceable was the Court of Appeals for the Fourth Circuit in 1990.[24] The Supreme Court, however, has not yet ruled on the viability of the misuse defense in copyright infringement actions.[25]

Currently, a split of authority exists among the federal circuit courts which have addressed the issue of whether the misuse defense should be extended to copyright law.[26] Courts in older cases have

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exclusive rights (with some limitations) to reproduce, distribute, and (in some cases) perform the work for the author's life plus 50 years. 35 U.S.C. §§ 102-412 (1988). A copyright exists upon fixation of the work, but a copyright holder cannot enforce his rights until the work is registered with and approved by the United States Copyright Office. 35 U.S.C. § 412 (1988).

19. *See* Webb, *supra* note 7, at 339-42; *infra* note 29.

20. *See infra* notes 61-78 and accompanying text.

21. *Id.*

22. Webb, *supra* note 7, at 339-40.

23. M. Witmark & Sons v. Jensen, 80 F. Supp. 843, 848-50 (D. Minn. 1948), *appeal dismissed*, 177 F.2d 515 (8th Cir. 1949).

24. Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 978-79 (4th Cir. 1990).

25. Erickson v. Trinity Theatre, Inc., No. 91 C 1964, 1992 U.S. Dist. LEXIS 2690, at *35 (N.D. Ill. March 6, 1992); The Supreme Court may have implicitly recognized the existence of the defense by reversing and remanding an antitrust ruling "and the copyright misuse judgment dependent upon it." Broadcast Music, Inc. v. CBS, Inc., 441 U.S. 1, 24 (1979); *see also*, United States v. Loews, Inc., 371 U.S. 38 (1962). Indeed, in the same case, Justice Stevens indicated his acceptance of the defense. *Broadcast Music*, 441 U.S. at 28 ("The rules [governing patent misuse] . . . are equally applicable to copyrights."). However, the Supreme Court has failed to rule explicitly on the viability of the misuse defense independent of an antitrust violation. Note, *supra* note 11, at 1292.

26. Three circuits and several district courts have explicitly or implicitly accepted the doctrine. Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 978-79 (4th Cir. 1992) (copyright misuse found where plaintiff forbid any company from participating in any way in the future development of its copyrighted computer program); Atari Games Corp. v. Nintendo of Am., Inc., No. 91-1293, 1992 U.S. App. LEXIS 21817, at *39-40 (N.D. Cal. Sept. 10, 1992); Supermarket of Homes, Inc. v. San Fernando Valley Bd. of Realtors, 786 F.2d 1400, 1408 (9th Cir. 1986); Sega Enterprises v. Accolade, Inc., No. C-91-3871, 1992 U.S. Dist. LEXIS 4028, at *19 (N.D. Cal. Apr. 3, 1992) (misuse exists upon a finding of

held that the misuse defense is inapplicable in copyright infringement actions.[27] Recently, however, many courts have held that the defense is viable in copyright infringement actions, but only to the extent that the misuse rises to the level of an antitrust violation.[28] Some courts have held that the misuse defense is available in copyright infringement actions, and that the misuse need not rise to the same level as a violation of antitrust law.[29] These courts have found misuse where the copyright owner had attempted to enforce his copyright in a way that exceeded the scope of his copyright grant.[30] This Note advocates extending the misuse doctrine to copyright infringement actions con-

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fraud, or a "clear violation of a legal duty"); National Cable Television Ass'n v. Broadcast Music, Inc., No. 90-0262, 1991 U.S. Dist. LEXIS 11389, at *130-31 (D.D.C. Aug. 16, 1991) (recognizing misuse where a copyright owner violates the public policy underlying the copyright law); Coleman v. ESPN, Inc., 764 F. Supp. 290, 295 (S.D.N.Y. 1991) (copyright misuse may be found "based on blanket licensing practices if there are no alternatives . . . realistically available"); qad, inc. v. ALN Assoc., 770 F. Supp. 1261, 1267-70 (N.D. Ill. 1991), *aff'd in part dismissed in part on other grounds*, 974 F.2d 834 (7th Cir. 1992) (copyright misuse found where plaintiff failed to disclose that its copyright computer program contained material copied from work in the public domain). Three circuits have explicitly or implicitly rejected the doctrine. Bellsouth Advertising & Publishing Corp. v. Donnelley Info. Publishing, 933 F.2d 952 (11th Cir. 1991); United Tel. Co. of Missouri v. Johnson Publishing Co., 855 F.2d 604 (8th Cir. 1988); Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191 (7th Cir. 1987).

27. *See, e.g.*, Orth-O-Vision, Inc. v. Home Box Office, 474 F. Supp. 672 (S.D.N.Y. 1979); Peter Pan Fabrics, Inc. v. Candy Frocks, Inc., 187 F. Supp. 334 (S.D.N.Y. 1960).

28. *See, e.g.*, Bellsouth Advertising & Publishing Corp. v. Donnelley Info. Publishing, 933 F.2d 952 (11th Cir. 1991); United Tel. Co. of Missouri v. Johnson Publishing Co., 855 F.2d 604 (8th Cir. 1988); Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191 (7th Cir. 1987). Antitrust law involves claims of monopolization. HARMON, *supra* note 6, § 1.4, at 13-14. In patent law, an allegation of an antitrust violation is used as a counterclaim alleging that a patentee's use of his patent creates an unfair monopoly. *Id. See infra* Part III.B. for a discussion of the relationship between misuse and antitrust law.

29. *See, e.g.*, Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 978-79 (4th Cir. 1992) (copyright misuse found where plaintiff forbid any company from participating in any way in the future development of its copyrighted computer program); Atari Games Corp. v. Nintendo of Am., Inc., No. 91-1293, 1992 U.S. App. LEXIS 21817, at *39-40 (N.D. Cal. Sept. 10, 1992); Supermarket of Homes, Inc. v. San Fernando Valley Bd. of Realtors, 786 F.2d 1400, 1408 (9th Cir. 1986); Sega Enterprises v. Accolade, Inc., No. C-91-3871, 1992 U.S. Dist. LEXIS 4028, at *19 (N.D. Cal. Apr. 3, 1992) (misuse exists upon a finding of fraud, or a "clear violation of a legal duty"); National Cable Television Ass'n v. Broadcast Music, Inc., No. 90-0262, 1991 U.S. Dist. LEXIS 11389, at *130-31 (D.D.C. Aug. 16, 1991) (recognizing misuse where a copyright owner violates the public policy underlying the copyright law); Coleman v. ESPN, Inc., 764 F. Supp. 290, 295 (S.D.N.Y. 1991) (copyright misuse may be found "based on blanket licensing practices if there are no alternatives . . . realistically available"); qad, inc. v. ALN Assoc., 770 F. Supp. 1261, 1267-70 (N.D. Ill. 1991), *aff'd in part dismissed in part on other grounds*, 974 F.2d. 834 (7th Cir. 1992) (copyright misuse found where plaintiff failed to disclose that its copyright computer program contained material copied from work in the public domain).

30. *See supra* note 29.

sistent with this last approach, which will be referred to here as the "scope of the grant" test.

Part II of this Note reviews the substantive development and procedural posture of the misuse defense in the context of patent infringement actions. Part III considers the parallel development of copyright and patent law as a justification for extending the misuse doctrine to copyright infringement actions, and distinguishes the misuse doctrine from antitrust violations. Part IV enunciates a test for applying the misuse defense in copyright infringement actions. Part V concludes that the misuse defense should be available in copyright infringement actions to prevent a copyright owner from enforcing his copyright if he has impermissibly extended his copyright beyond the scope of the copyright grant.[31]

II. The Patent Misuse Defense

A. The Substantive Law of Patent Misuse

The patent misuse doctrine was first articulated in 1942 by the Supreme Court in *Morton Salt Co. v. G.S. Suppiger Co.*[32] Plaintiff-appellee, G.S. Suppiger Co. ("G.S. Suppiger"), owned the patent on a machine for depositing salt tablets in cans.[33] G.S. Suppiger licensed this machine to members of the canning industry.[34] In the suit, G.S. Suppiger alleged that Morton Salt Co. ("Morton Salt") had infringed the patent's claims by making and selling an equivalent salt-depositing machine.[35]

G.S. Suppiger also manufactured unpatented salt tablets,[36] and required licensees of the salt-depositing machine to buy these unpatented salt tablets.[37] This practice of requiring licensees to purchase unpatented products along with the patent license is a common practice known as "tying."[38] The Supreme Court held that this "tying" practice was a deliberate attempt by G.S. Suppiger to claim exclusive rights over something it had not invented.[39] This, the Court said, was patent misuse,[40] which constituted an absolute defense to any in-

31. *See supra* note 18.
32. 314 U.S. 488, 490-94 (1942).
33. *Id.* at 489.
34. *Id.*
35. *Id.* at 490-91.
36. *Morton Salt*, 314 U.S. at 489.
37. *Id.*
38. *Id.* at 490-91.
39. *Id.* at 493-94.
40. *Id.*

fringement claim.[41] The Court refused to enforce the patent for the salt-depositing machine, and dismissed the lawsuit.[42]

The Court's reasoning in *Morton Salt* was based on the principle that a patent grants the patentee exclusive rights only over that particular device claimed in the patent.[43] Because a patent "affords no immunity for a monopoly not within the grant,"[44] anything not claimed in the patent is excluded from protection.[45] Indeed, 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.[46] Thus, any deliberate attempt to claim such exclusive rights constitutes patent misuse, rendering the entire patent unenforceable.[47]

Since *Morton Salt*, courts have consistently refused to enforce a patent which has been extended beyond the scope of the patent grant.[48] Indeed, the doctrine of patent misuse has been reaffirmed by both the United States Supreme Court[49] and the Court of Appeals for the Federal Circuit,[50] which has exclusive jurisdiction over patent appeals.[51]

B. Proving Patent Misuse — Procedural Aspects of the Doctrine

Patent misuse is an affirmative defense to a suit for patent infringement.[52] The alleged patent infringer must plead and prove the misuse by a preponderance of the evidence.[53] To establish misuse, the alleged infringer must prove that the patentee: 1) acted intentionally in bad

41. *Morton Salt*, 314 U.S. at 493-94.

42. *Id.*

43. *Id.* at 490-94.

44. *Id.* at 491.

45. *Id.* at 490-94.

46. *Morton Salt*, 314 U.S. at 490-94.

47. *Id.* at 490-94. Of course, once the patentee corrects the misuse, the patent is once again enforceable. *See infra* note 56 and accompanying text.

48. LIPSCOMB, *supra* note 6, § 22:10, at 452; *see also*, United States Gypsum Co. v. National Gypsum Co., 352 U.S. 457, 463-65 (1957).

49. *United States Gypsum Co.*, 352 U.S. at 463-65; Mercoid Corp. v. Minneapolis-Honeywell Regulator Co., 320 U.S. 680 (1944).

50. Hodosh v. Block Drug Co., 833 F.2d 1575, 1576-78 (Fed. Cir. 1987); Allen Archery, Inc. v. Browning Mfg. Co., 819 F.2d 1087 (Fed. Cir. 1987).

51. Christianson v. Colt Operating Corp., 822 F.2d 1544, 1550-60 (Fed. Cir. 1987). Rulings of the Federal Circuit are the law everywhere on any patent issues it has considered unless overruled by the United States Supreme Court. *Id.*

52. LIPSCOMB, *supra* note 6, § 26:9 at 466-67; Windsurfing Int'l, Inc. v. AMF, Inc., 782 F.2d 995 (Fed. Cir. 1986); Bio-Rad Lab., Inc. v. Nicolet Instrument Corp., 739 F.2d 604 (Fed. Cir. 1984).

53. *See supra* note 29.

faith,[54] and 2) claimed exclusive rights over something outside the patent grant.[55]

A finding of misuse by the court does not invalidate the patent; it simply renders the patent unenforceable until the misuse is terminated.[56] Thus, a finding of misuse precludes the patentee from obtaining relief for infringement.[57] Once a patentee demonstrates that the consequences of his prior misuse have been corrected, however, the patent is once again enforceable, and the patentee may bring suit for infringement.[58] For example, in *Morton Salt*, if the patentee, G.S. Suppiger, had modified its licenses so that they covered only the patented salt dispensing machine and not the unpatented salt tablets,[59] G. S. Suppiger would have been able to maintain its suit against Morton Salt.[60]

III. Justifications for the Copyright Misuse Defense

Until recently, the misuse defense did not exist in the copyright context. Courts either found the defense inapplicable in copyright infringement actions or held that misuse existed only to the extent an antitrust violation was found, thus merging misuse into antitrust law. But the existence of misuse as an independent defense to copyright infringement is wholly supported and justified.

First, the parallel development of copyright and patent law justifies the availability of the copyright misuse defense. Second, the misuse defense is distinguishable from an antitrust counterclaim, and should, therefore, be considered as a separate inquiry.

A. Parallel Development of the Copyright and Patent Laws

Some courts have held that the misuse defense is inapplicable in the context of copyright infringement actions.[61] However, an historical approach to patent and copyright law provides the rationale for applying the misuse defense in these cases.[62] Patent law in England de-

54. LIPSCOMB, *supra* note 6, § 22:10 at 452; Carpet Seaming Tape Licensing Corp. v. Best Seam, Inc., 616 F.2d 1133 (9th Cir. 1980).

55. LIPSCOMB, *supra* note 6, § 26.9, at 466-67.

56. LIPSCOMB, *supra* note 6, § 26.9, at 468, § 28:34 at 344; Senza-Gel Corp. v. Seifhart, 803 F.2d 661 (Fed. Cir. 1986); Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 661 (1944).

57. *See supra* note 56.

58. LIPSCOMB, *supra* note 6, § 28:35, at 348; Republic Molding Corp. v. B.W. Photo Utilities, 319 F.2d 347 (9th Cir. 1963).

59. The result would be an "untied" license.

60. LIPSCOMB, *supra* note 6, § 28:35, at 348-49.

61. *See supra* note 28.

62. Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 974 (4th Cir. 1990).

veloped during the sixteenth century when the English Crown commonly granted to certain individuals the exclusive rights (known as "letters patent") to produce, import and/or sell goods throughout England.[63] Because of the monopolistic situation this practice created, widespread abuses such as price inflation and product shortages became rampant.[64] Parliament addressed these problems by passing the Statute of Monopolies,[65] 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.[66] This statute had the effect of narrowing monopoly power to specific products for a limited time, rather than permanently.[67]

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.[68] In the late seventeenth century, the Crown granted the Stationer's Company exclusive book publishing rights in England.[69] In 1710, Parliament reacted by passing the first known copyright act, the Statute of Anne.[70] The statute granted the Stationer's Company exclusive publishing rights, but only for a limited time.[71] 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."[72]

The English concept of copyright and patent law was received in America by the Constitution's Framers.[73] The Framers, like the English, considered the property rights protected by copyrights and patents to be similar.[74] 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:

> To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to

63. LIPSCOMB, *supra* note 6, §§ 1:1-1:2, at 1-14.

64. LIPSCOMB, *supra* note 6, § 1:2, at 8-14.

65. An Act Concerning Monopolies And Dispensations With Penal Laws, And The Forfeitures Thereof, 21 JAC., ch. 3 (1623-24).

66. LIPSCOMB, *supra* note 6, § 1:5, at 29-34.

67. *Id.*

68. ROBERT BOWKER, COPYRIGHT: ITS HISTORY AND ITS LAW 21-23 (1912).

69. WILLIAM F. PATRY, LATMAN'S THE COPYRIGHT LAW 3-4 (6th ed. 1986). The Stationer's Company was a publishing company established under Seventeenth Century British law. *See id.*

70. 8 Anne c. 19 (1710) (*cited in* PATRY, *supra* note 69, at 4 n.6).

71. *See supra* note 69.

72. Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 975 (4th Cir. 1990).

73. *Id.* at 975; *see* U.S. CONST. art. I, § 8, cl. 8.

74. PATRY, *supra* note 69, at 5.

their respective Writings and Discoveries.[75]

Both copyright and patent law share the same underlying theory;[76] because the public benefits from new creations, society should encourage such efforts by granting authors and inventors exclusive rights in their works.[77] Thus, the concurrent development of patent and copyright law in terms of both underlying theory and the substantive law demonstrates that misuse can and should be applicable as a defense to copyright infringement, just as it has received full recognition as a defense to patent infringement.[78]

B. Distinguishing Misuse from Antitrust

1. The Confusion Between Misuse and Antitrust Law

The key differences between misuse and antitrust are that: a) the antitrust violation is a counterclaim, giving rise to damages, whereas patent misuse is an absolute defense to an allegation of patent infringement, preventing the patentee from recovering for such infringement, and b) a defendant must have been injured to raise the antitrust counterclaim, whereas a defendant can raise the misuse defense, regardless of whether it has been subjected to the misuse at all.[79] To demonstrate that plaintiff has violated the antitrust law, defendant must meet the high standard of proving: 1) a pattern of conduct by plaintiff in restraint of trade, and 2) that this restraint is unreasonable.[80] An alleged infringer cannot avoid paying damages for engaging in infringing activities by counterclaiming under the antitrust law. Rather, a patentee who has violated the antitrust law may still recover for infringement, but will also pay the alleged infringer damages for creating an illegal monopoly under the antitrust law.[81] In contrast, to demonstrate that the plaintiff is guilty of patent misuse, the defendant must meet the much easier burden of proving only that plaintiff has

75. U.S. CONST. art. I, § 8, cl. 8; *see Lasercomb*, 911 F.2d at 975.

76. *Lasercomb*, 911 F.2d at 975.

77. *Id.* This theory is popularly known as "incentive-dissemination." *See* Feist Publications v. Rural Tel. Serv., 111 S. Ct. 1282 (1991).

78. *Lasercomb*, 911 F.2d at 975; *see infra* notes 95-121 and accompanying text explaning why courts have been reluctant to apply the misuse defense to copyright infringement claims despite this compelling argument.

79. Atari Games Corp. v. Nintendo of Am., Inc., 897 F.2d 1572, 1576-77 (Fed. Cir. 1990); Indium Corp. of Am. v. Semi-Alloys, Inc., 781 F.2d 879, 882 (Fed. Cir. 1985). *See supra* note 16 and accompanying text.

80. 15 U.S.C. § 1 (1990); Business Elec. Corp. v. Sharp Elec. Corp., 485 U.S. 717, 723 (1988); Standard Oil Co. v. United States, 221 U.S. 1, 31 (1911). This approach is known as the "rule of reason" analysis. *Standard Oil*, 221 U.S. at 31.

81. *See supra* note 80.

extended his property right beyond the four corners of the patent.[82] Further, a patentee guilty of patent misuse will be unable to enforce his patent,[83] but the alleged infringer will not recover damages for successfully proving the patentee's misuse.[84]

In the copyright infringement context, several courts have confused the misuse defense with the antitrust law counterclaim.[85] These courts have stated that for an alleged infringer to establish copyright misuse, and thereby render a copyright unenforceable, the copyright owner's conduct must also constitute a violation of antitrust law.[86] The rationale provided for this approach is that only violations of the antitrust law are sufficiently egregious to render a copyright unenforceable.[87] In the patent context, however, misuse can occur despite the lack of an antitrust violation.[88] Indeed, in the patent context, an antitrust violation gives rise to a counterclaim for damages, but does not render the patent unenforceable,[89] as a successful defense of misuse does.[90] Furthermore, the antitrust and misuse doctrines address discrete public policy considerations.[91] Antitrust law deals with economic injury to the free marketplace resulting from monopoly control.[92] Misuse, on the other hand, prevents patent (and copyright) owners from exploiting rights belonging to the public.[93] Consequently, the antitrust and misuse doctrines must be properly distinguished from one another.[94]

The confusion between misuse and antitrust law began with the Supreme Court's decision in *Broadcast Music, Inc. v. CBS, Inc.*[95] Columbia Broadcasting Systems ("CBS"), a media production company,

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82. *See supra* notes 5-17 and accompanying text.
83. *See supra* notes 5-17 and accompanying text.
84. *See supra* notes 5-17 and accompanying text.
85. *See supra* note 28.
86. *See supra* note 28.
87. *See supra* note 28.
88. *See* HARMON, *supra* note 6, § 11.3, at 374-75; *but see* Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191, 1200 (7th Cir. 1987) (Judge Posner declined to follow *Morton Salt* except to the extent that the patent misuse rises to the level of an antitrust violation or unclean hands).
89. *See supra* note 79.
90. *See supra* notes 5-17. Recall again that an antitrust violation gives rise to a *counterclaim*, whereas misuse is a *defense*. *See supra* note 79 and accompanying text. Further, misuse often exists despite the lack of an antitrust violation, such as under certain circumstances where a copyright owner "ties" a license for his creation to another product or creation. *See infra* Part IV.B. for such an example.
91. Webb, *supra* note 7, at 346.
92. *Id.*
93. *Id.*
94. *Id.*
95. 441 U.S. 1 (1979).

brought an antitrust suit against Broadcast Music, Inc. ("BMI"), a music licensing corporation, alleging also that BMI had misused BMI's copyrights of numerous musical compositions through blanket licensing procedures.[96] Blanket licensing requires a licensee to purchase a license for all of the licensor's copyrights, even if the licensee wishes to use only one copyrighted work.[97] Blanket licensing is similar to "tying" in that it requires a licensee to purchase more than it should be required to under the intellectual property grant. CBS alleged that, in order to obtain licenses for the songs it did want, BMI required CBS to purchase licenses for songs it did not want.[98] This, CBS claimed, violated the antitrust law, and that if it did not violate the antitrust law, it constituted misuse.[99] The Supreme Court reversed the district court's finding of an antitrust violation and held that BMI's blanket licensing procedures did not violate the antitrust law.[100] The Court stated: "[w]e reverse the judgment, *and* the copyright misuse judgment dependent upon it."[101]

The use of "and" in this sentence implies that a misuse finding *depends upon* a finding of an antitrust violation.[102] It was apparent, however, that in the context of the case, CBS attached misuse to the antitrust counterclaim only as a secondary argument. The case was decided, both in the district court and the appellate court, solely on the basis of antitrust principles, such as whether BMI had created an unreasonable restraint on trade.[103]

The misuse analysis should not focus on whether there has been an unreasonable restraint on trade.[104] Rather, the focus should be on the copyright grant, and whether the owner has exceeded his rights under this grant.[105] Nevertheless, since the BMI decision, courts have been either unwilling to apply the misuse defense, or have applied it only on the ground that *if* the defense is available, the level of misuse necessary to assert it must rise to a violation of antitrust law.[106]

For example, in *Bellsouth Advertising & Publishing Corp. v. Donnelley Info. Publishing*,[107] Donnelley Information Publishing ("Donnel-

96. *Id.* at 4-5.
97. *Id.*
98. *Id.*
99. *Id.*
100. Broadcast Music, Inc. v. CBS, Inc., 441 U.S. 1, 24 (1979).
101. *Id.* (emphasis added).
102. Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 977, n.17 (4th Cir. 1990).
103. *Id*; *see supra* note 95.
104. *See supra* notes 1-17 and accompanying text.
105. *Id.*
106. *See supra* note 28.
107. 933 F.2d 952 (11th Cir. 1991).

ley") defended Bellsouth Advertising and Publishing's ("Bellsouth") infringement claim on the ground that Bellsouth had misused its copyright of a yellow pages directory.[108] A yellow pages copyright protects the format and layout of the directory, but not the factual information contained within it.[109] Donnelley alleged that Bellsouth had overextended its copyright by restricting competing directory companies from using the factual information in its yellow pages. The court declined to apply the misuse doctrine in this copyright infringement action, because it found that Bellsouth had not overextended its copyright and, therefore, "there [was] no antitrust violation."[110]

The court's reasoning in *Bellsouth* simply side-stepped the issue. Donnelley had *not* argued that Bellsouth had violated antitrust law by exercising monopolistic power in restraint of trade. Rather, Donnelley contended that Bellsouth had misused its copyright by extending the copyright grant beyond its lawful scope. Thus, Donnelley's actual argument was lost in the murkiness of the antitrust law. Indeed, the court raised the antitrust issue on its own initiative, apparently confusing the legal arguments behind Donnelley's claim of misuse with antitrust principles.

The decision in *United Telephone Co. of Missouri v. Johnson Publishing Co.*,[111] illustrates this confusion. Johnson Publishing Co. ("Johnson") argued that United Telephone Co. ("United") misused its copyright of white page listings by "tying"[112] an uncopyrighted customer list to its licenses of the copyrighted white pages. The court, referring to the licensing practice, stated: "[this practice] does not in itself demonstrate an effort to restrain competition."[113] The court refused to apply the misuse defense: "assuming *arguendo*, that *an antitrust violation* is a *defense* in a copyright infringement action . . . the stipulated facts in this case do not support [the] . . . contention that [United] '*misused*' its copyright."[114]

The court in *United Telephone* accepted a "tying" practice because the practice did not restrain trade in violation of the antitrust laws.[115]

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108. *Id.* at 960.

109. *Id.*

110. *Id.* at 961.

111. 855 F.2d 604 (8th Cir. 1988).

112. *See supra* note 13.

113. *United Telephone*, 855 F.2d at 612.

114. *Id.* at 611-12 (emphasis added). Note that the court assumed *arguendo* that an antitrust violation is a *defense* to infringement. In fact, it only constitutes a *counterclaim*. *See supra* notes 79-84.

115. *United Telephone*, 855 F.2d at 611-12.

However, Johnson alleged misuse, not restraint of trade, as a defense. Johnson alleged that it was unfair to enforce a copyright where the owner had extended its grant beyond that which was copyrighted in the first place.[116] Johnson argued only that United's conduct violated the policy objectives underlying the copyright laws. Nevertheless, the court allowed United's tying practice to continue. Despite the seeming applicability of the misuse doctrine in this case, United was permitted to recover for copyright infringement because United's conduct did not violate antitrust law.[117]

Similarly, in *USM Corp. v. SPS Technologies, Inc.*,[118] the Seventh Circuit recognized that "[t]he doctrine [of misuse] arose before there was any significant body of federal antitrust law, and reached maturity long before that law . . . attained its present scope."[119] But the court nonetheless stated that "[i]f misuse claims are not tested by conventional antitrust principles, by what principles shall they be tested?"[120]

The principle with which to test the misuse defense is the scope of the copyright grant, rather than "conventional antitrust principles."[121] To argue, as the Seventh Circuit did in *USM Corp.*, that the misuse defense "reached maturity" long before antitrust laws developed, but that the only principles available to apply the misuse defense are the antitrust laws is illogical. If misuse was firmly rooted before antitrust ever existed, some principles must have been used *before* antitrust laws were developed. Clearly, then, the defense of copyright misuse should be viewed separately from antitrust law.

2. *Recent Cases Distinguishing Misuse from Antitrust Law*

Recent cases have applied the misuse defense to render a copyright unenforceable despite the lack of an antitrust violation.[122] For example, the Northern District of Illinois, in *qad. inc. v. ALN Associates*,[123] refused to enforce qad's copyright of a computer program because it failed to disclose that the computer program itself contained material

116. *Id.* at 610.

117. *Id.* at 611-12.

118. 694 F.2d 504 (7th Cir. 1982).

119. *Id.* at 512.

120. *Id.* at 512. The Seventh Circuit recently reaffirmed this position in Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191 (7th Cir. 1987), *aff'd in part and dismissed in part on other grounds*, 974 F.2d 834 (7th Cir. 1992), where it held that "a no contest clause in a copyright licensing agreement is valid unless shown to violate antitrust law." *Id.* at 1200.

121. *See infra*, part IV.

122. *See supra* note 29.

123. 770 F. Supp. 1261 (N.D. Ill. 1991).

copied from work in the public domain.[124] The court held that qad's conduct constituted copyright misuse[125] because it had extended the copyright privilege beyond the scope of the grant, violating the theories underlying copyright law.[126] The court concluded that it "should not and will not offer its aid to a copyright holder whose actions run counter to the purpose of the copyright itself."[127] The copyright owner's failure to disclose that it copied part of its work from the public domain did not violate the antitrust law.[128] Nevertheless, qad's copyright was held unenforceable because its conduct was violative of the "purpose of the copyright itself," by extending the copyright beyond the scope of the grant.[129]

Similarly, the Fourth Circuit, in *Lasercomb America, Inc. v. Reynolds*,[130] refused to enforce Lasercomb America's ("Lasercomb") computer software copyright because of copyright misuse.[131] Lasercomb had licensed copies of its copyrighted computer software program ("Interact") to users who modified the software for their own purposes.[132] Lasercomb sued these licensees, invoking a provision in its license agreement which prevented any development of Interact.[133] The licensees argued that this provision constituted copyright misuse.[134]

The *Lasercomb* court held that Lasercomb had committed copyright misuse by attempting to extend its copyright to an area outside of the copyright grant, "regardless of whether such conduct amount[ed] to an antitrust violation."[135] The court specifically addressed the antitrust issue, stating:

> 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

124. *Id.* at 1263-65.
125. *Id.*
126. *Id.* at 1270-71.
127. *Id.*
128. Of course, this type of conduct can violate the Sherman Act, but only if the conduct also constitutes an unreasonable restraint of trade. *See supra* note 80 and accompanying text.
129. qad, inc. v. ALN Assoc., 770 F. Supp. 1261, 1270 (N.D. Ill. 1991), *aff'd in part and dismissed in part on other grounds*, 974 F.2d 834 (7th Cir. 1992).
130. 911 F.2d 970 (4th Cir. 1990).
131. *Id.* at 978-79.
132. *Id.* at 970-73.
133. *Id.*
134. *Id.*
135. *Lasercomb*, 911 F.2d at 979.

copyright.[136]

The courts in *qad. inc.* and *Lasercomb* based their decisions on public policy notions underlying copyright law, independent of the antitrust laws.[137] The message those courts sent is clear: "[t]ry to get too much mileage out of a copyright and you may lose it entirely."[138] To state that misuse must "rise to the level of an antitrust violation" subsumes the misuse defense into antitrust law. The purpose of the misuse defense is to prevent copyright holders from engaging in misconduct that *does not* necessarily violate the antitrust law, but is, nevertheless, an illegal extension of the copyright grant violative of the public policies underlying copyright law.[139] Thus, the process of grafting antitrust law into the copyright misuse defense inquiry is confusing to parties, courts and Congress,[140] counterproductive to the policies of the copyright law, and incorrect. In short, the "antitrust law" approach should be abandoned.

3. *A Recent Commentary Distinguishing Misuse from Antitrust Law*

One commentator, recognizing that "the criteria of antitrust law alone cannot fully protect the public interest,"[141] suggests another approach: "[i]n addition to antitrust standards, courts should apply substantive principles governing copyrightability to identify instances of copyright misuse."[142] The problem with this approach is that copyrightability determines validity, and not enforceability.[143] To be copyrightable, a work must be original, fixed in a tangible medium of

136. *Id.* at 978.

137. *See supra* notes 123-136 and accompanying text.

138. Daniel Moskowitz, *Companies Warned against Abusing Power of Patents*, WASH. POST, Oct. 15, 1990, at F34.

139. Nat'l Cable Television Ass'n v. Broadcast Music, Inc., No. 90-0262, 1991 U.S. Dist. LEXIS 11389, at *132 (D.D.C. Aug. 16, 1991).

140. In 1983, 1984 and 1985, the Reagan Administration proposed, but Congress rejected, legislation that would limit copyright misuse to conduct that also constituted an antitrust violation. Daily Report For Executives (BNA), DER No. 11, at 16 (Jan. 16, 1985); Daily Report For Executives (BNA), DER No. 11, at 7 (Jan. 18, 1984); Daily Report For Executives (BNA), DER No. 124, at B-1 (Jun. 27, 1983). Thus, both the executive and legislative branches of the federal government have implicitly recognized the defense of copyright misuse, but have explicitly rejected the notion that misuse must rise to the level of an antitrust violation. However, Congress has statutorily limited the availability of the patent misuse defense independent of an antitrust violation in certain circumstances. 35 U.S.C. § 271(d) (1992).

141. Note, *supra* note 11 at 1303.

142. *Id.* at 1304.

143. 17 U.S.C. § 102 (1976).

expression and the expression of an idea.[144] If a work meets these criteria, the copyright for the work is valid.[145] These criteria, however, are unrelated to the issue of whether the copyright owner, once obtaining a valid copyright registration, uses it in a way that extends the grant beyond its proper scope. Indeed, a copyright may be valid, but may nevertheless be unenforceable because of the copyright owner's misuse.[146] Thus, this "copyrightability" approach merges the misuse inquiry with the issue of copyrightability, and fails to enunciate a workable standard for analyzing the misuse defense.

IV. A Substantive Approach to Copyright Misuse

A. The "Scope of the Grant" Test

The "scope of the grant" test both distinguishes misuse from other defenses and is applicable over a broad range of situations. While many courts have rejected the scope of the grant test,[147] some recent cases have applied the test in the context of copyright infringement actions without fully articulating it.[148] Under the test, copyright misuse would operate as an affirmative defense to a suit for copyright infringement.[149] As in patent misuse, the defendant would have to prove copyright misuse by a preponderance of the evidence.[150] To prove misuse, the alleged infringer would be required to show that the copyright owner: 1) acted intentionally and in bad faith, and 2) claimed rights outside the scope of the copyright grant.[151]

The scope of the grant test involves two steps. First, the court must define the scope of the copyright.[152] This simply involves reading the copyright registration and understanding what the grant protects. Second, the court must analyze the trial evidence and determine whether the copyright owner has intentionally used his copyright in a way that exceeds the scope of the grant as defined in the first step. If he has, he has misused his copyright, rendering it unenforceable until

144. Atari Games Corp. v. Nintendo of Am., Inc., 897 F.2d 1572, 1576-77 (Fed. Cir. 1990).

145. 17 U.S.C. § 102 (1976).

146. *See supra* note 29 and accompanying text.

147. *See supra* note 27 and accompanying text.

148. *See supra* note 29 and accompanying text.

149. Webb, *supra* note 7, at 340-41; Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970 (4th Cir. 1990).

150. *See supra* note 53.

151. *See supra* note 54-55.

152. *See* qad, inc. v. ALN Assoc., 770 F. Supp. 1261, 1270-71 (N.D. Ill. 1991), *aff'd in part and dismissed in part on other grounds*, 974 F.2d 834 (7th Cir. 1992) 1270-71; *Lasercomb*, 911 F.2d at 970-71.

the misconduct is corrected.[153]

B. An Example Employing the "Scope of the Grant" Test

To understand the scope of the grant test, an analogy to the *Morton Salt* case is helpful.[154] Assume that G.S. Suppiger owned a copyright on a computer program which controlled the dispensing of salt into cans of food (rather than a patent on the dispensing machine itself). Recall that G.S. Suppiger also manufactured and sold the salt tablets themselves. Assume that G.S. Suppiger licensed this computer program, but conditioned the license upon the purchase of G.S. Suppiger's salt tablets.

Applying the scope of the grant test, the court must analyze whether the owner is claiming rights outside the scope of the copyright grant.[155] To do so, the court will look to the copyright registration to decide whether the grant has been extended. Here, the plaintiff's grant is for a computer software program. Clearly, the salt tablets are outside the scope of the copyright grant. Consequently, a court would find that the plaintiff, G.S. Suppiger, had misused its copyright, rendering it unenforceable until the license is no longer conditioned upon the sale of salt tablets.

The above example of "tying" a registered work to an unregistered one would constitute misuse under the scope of the grant approach. Unless the unregistered work falls within the scope of the registered one, the copyright owner has misused his copyright. In such a case, even though the conduct does not violate the antitrust law, the copyright owner should not be permitted to maintain an action for infringement unless the misconduct is corrected.

C. Criticisms of the "Scope of the Grant" Test

The courts refusing to apply the scope of the grant test have not directly criticized the test itself.[156] Rather, these courts simply find that the misuse defense is inapplicable in copyright infringement actions,[157] or that the defense only applies where the misuse rises to the level of an antitrust violation.[158]

We have seen that the policies underlying the patent and copyright

153. *See supra* note 152 and accompanying text.

154. *See supra* notes 32-42 and accompanying text.

155. Of course, intent and bad faith must also be proved. *See supra* note 54 and accompanying text.

156. *See supra* note 27-28 and accompanying text.

157. *See supra* note 27 and accompanying text.

158. *See supra* note 28 and accompanying text.

law, as well as their parallel nature, justify the applicability of misuse as a defense to copyright infringement to the same extent it is a defense to patent infringement.[159] There is no justification for arguing that the defense is wholly inapplicable in copyright infringement actions.[160] Furthermore, we have seen that misuse is distinguishable from an antitrust violation.[161] Thus, the counterproductive approach of finding misuse only when the misuse rises to the level of an antitrust violation is equally unjustified.[162]

One commentator, however, has criticized the scope of the grant approach on the ground that it is too subjective: "[the test] presupposes some transcendent notion of what constitutes 'natural' or 'proper' patent or copyright and thus fails to identify any legal rules or standards for fixing the boundaries of legitimate conduct."[163] This is simply not so. The scope of the grant test presupposes nothing at all and identifies a clear and identifiable boundary — the copyright grant itself. This is easily identifiable as courts in infringement cases must, in the first instance, determine the scope of the plaintiff's copyright protection. The theory behind the test is that, without assuming anything at all, one can read the copyright grant to determine if its limitations are being exceeded. Although there is no magic formula, the scope of the grant approach provides what the commentator believes it lacks — a clear legal standard for fixing the boundaries of legitimate conduct. The scope of the grant test is a test which puts the copyright misuse defense in perspective and establishes the viability of the defense in copyright infringement actions.

V. Conclusion

The property rights granted to the owner of a patent or copyright do not extend beyond that which is granted in the patent or copyright.[164] Thus, a court should refuse to enforce a copyright where the owner has extended the grant to property not covered by that copyright.[165] Although the older cases reject the notion of copyright misuse,[166] the modern view is that misuse should prevent a copyright owner from recovering for infringement where he has impermissibly

159. *See supra* part III.A.
160. *Id.*
161. *See supra* Part III.B.
162. *Id.*
163. Note, *supra* note 11, at 1295.
164. *See supra* notes 5-17 and accompanying text.
165. *See supra* notes 152-153 and accompanying text.
166. *See supra* note 27 and accompanying text.

extended the copyright grant beyond its lawful scope.[167] Furthermore, the recent cases which refuse to allow the defense have based their decisions on the erroneous assumption that misuse must rise to the level of an antitrust violation before the defense may be asserted.[168] On the other hand, those courts which allow the defense independent of whether an antitrust violation has occurred, ground their decisions on well-founded, long-existing policies underlying the copyright law.[169]

For years the courts have failed to distinguish misuse from the antitrust law. These legal concepts are, however, clearly distinguishable from one another. The misuse defense is inherent in the policies underlying the copyright and patent law. Thus, the misuse defense is viable in copyright infringement actions and should prevent a copyright owner from enforcing his copyright if he has impermissibly extended it beyond the scope of the copyright grant. In sum, this Note advocates use of the scope of the grant approach to provide a workable standard for determining whether a copyright owner is guilty of copyright misuse.

David Scher

167. *See supra* note 29 and accompanying text.
168. *See supra* note 28 and accompanying text.
169. *See supra* note 29 and accompanying text.