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Copyright Misuse As A Defense In An Infringement Action: Lasercomb America, Inc. V. Reynolds

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COPYRIGHT MISUSE AS A DEFENSE IN AN INFRINGEMENT ACTION: *LASERCOMB AMERICA, INC. V. REYNOLDS*

In an action by a copyright owner against an infringer,[1] the United States Court of Appeals for the Fourth Circuit has recognized the doctrine of copyright misuse as an affirmative defense to infringement.[2] As a defense in an infringement action,[3] an infringer, according to some courts, may assert that the copyright owner has misused the owner's copyright either by extending the copyright owner's limited monopoly beyond the intended scope of the copyright grant or, in a narrower context, by violating the antitrust laws.[4] This theory of copyright misuse as a defense is similar to an unclean hands approach in that a court will bar a copyright owner from enforcing his rights against an infringer due to the copyright owner's misconduct.[5] An unclean hands defense, however, differs from a copyright misuse defense in that the former requires a showing that the plaintiff's actions relate directly to the merits of the controversy,[6] and the copyright misuse defense only requires a showing that the plaintiff's misconduct generally has undermined public policy.[7]

Though the idea of copyright misuse as a defense is not new, the Fourth Circuit is the first appellate court expressly to apply copyright misuse to bar relief in an infringement action.[8] The Fourth Circuit's decision in *Lasercomb America, Inc. v. Reynolds*[9] provokes the question of whether prior case law actually supports a copyright misuse defense.[10] Furthermore, if *Lasercomb* correctly recognized a copyright misuse defense, the issue

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1. *See* 17 U.S.C. § 501(a) (1988) (defining "infringer"). Section 501(a) provides that:

> Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118 [of title 17], or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright.

Id.

2. *See infra* notes 130-62 and accompanying text (discussing Fourth Circuit's recognition of copyright misuse as affirmative defense to infringement).

3. *See* 17 U.S.C. §§ 501-511 (1988) (defining copyright infringement and remedies for infringement).

4. *See infra* notes 74-115 and accompanying text (discussing cases in which copyright misuse defense has arisen).

5. *See* 3 M. NIMMER & D. NIMMER, NIMMER ON COPYRIGHT § 13.09[A]-[B] (1989) (discussing copyright misuse defense and "unclean hands" defense).

6. *See id.* at § 13.09[B] (stating that plaintiff's action must actually harm defendant in order for defendant to assert "unclean hands" defense).

7. *See infra* note 14 and accompanying text (noting that applicability of copyright misuse defense should depend on whether plaintiff violated public policy of benefiting public).

8. *See infra* notes 130-62 and accompanying text (discussing Fourth Circuit's opinion in *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990), barring plaintiff's infringement action because plaintiff's actions constituted copyright misuse notwithstanding absence of antitrust violation).

9. 911 F.2d 970 (4th Cir. 1990).

10. *See infra* notes 44-129 and accompanying text (discussing prior case law).

remains whether the scope of the defense should be as broad as *Lasercomb* suggests.[11] In other words, should courts recognize copyright misuse as an affirmative defense in an infringement action, and, if so, what constitutes copyright misuse?[12] These questions are not new,[13] but *Lasercomb* has finally provided solid support at the appellate level for the argument that the copyright misuse doctrine, in fact, does exist. Furthermore, the Fourth Circuit's opinion in *Lasercomb* supports the argument that a finding of copyright misuse should rest primarily on the public policy of copyright law rather than on antitrust standards.[14]

Various courts and commentators have discussed the defense of copyright misuse,[15] but few courts have applied the doctrine to bar an infringement action.[16] The copyright misuse doctrine finds support in the analogous

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11. *See infra* notes 178-83 and accompanying text (discussing Fourth Circuit's application of broad standard in which key question is whether copyright owner's conduct has subverted public policy embodied in copyright).

12. *See infra* notes 178-83 and accompanying text (defining misuse by public policy standard and stating that conduct need not rise to level of antitrust violation in order to constitute copyright misuse).

13. *See infra* note 15 (citing courts and commentators that have discussed copyright misuse defense).

14. *See* Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 978-979 (4th Cir. 1990) (finding explicitly that copyright misuse is valid defense and stating that finding of misuse depends on whether copyright owner subverted public policy and not on whether copyright owner violated antitrust law).

15. *See generally* Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 972-973 (4th Cir. 1990) (recognizing that copyright misuse is valid defense in infringement action); United Tel. Co. v. Johnson Publishing Co., 855 F.2d 604, 610 (8th Cir. 1988) (recognizing that copyright misuse may be defense in infringement action); F.E.L. Publications, Ltd. v. Catholic Bishop, 214 U.S.P.Q. 409, 413 n.9 (7th Cir. 1982) (same); National Cable Television Ass'n v. Broadcast Music, Inc., 772 F. Supp. 614, 652 (D.D.C. 1991) (same); Coleman v. ESPN, Inc., 764 F. Supp. 290, 295 (S.D.N.Y. 1991) (same); Broadcast Music, Inc. v. Hearst/ABC Viacom Entertainment Servs., 746 F. Supp. 320, 327 (S.D.N.Y. 1990) (same); Hutchinson Tel. Co. v. Fronteer Directory Co., 4 U.S.P.Q.2d 1968, 1972 (D. Minn. 1987) (same); United Artists Associated, Inc. v. NWL Corp., 198 F. Supp. 953, 958 (S.D.N.Y. 1961) (same); M. Witmark & Sons v. Jensen, 80 F. Supp. 843, 850 (D. Minn. 1948) (same); Fine, *Misuse and Antitrust Defenses to Copyright Infringement Actions*, 17 HASTINGS L.J. 315 (1965) (discussing copyright misuse as defense to copyright infringement); Gibbs, *Copyright Misuse: Thirty Years Waiting for the Other Shoe*, 23 COPYRIGHT L. SYMP. (ASCAP) 31 (1973) (same); Menell, *An Analysis of the Scope of the Copyright Protection for Application Programs*, 41 STAN. L. REV. 1045, 1102-1103 n.302 (1989) (asserting that courts should develop copyright misuse doctrine similar to patent misuse doctrine); Susman, *Tying, Refusals to License, and Copyright Misuse: The Patent Misuse Model*, 36 J. OF THE COPYRIGHT SOC'Y OF THE USA 300 (1989) (discussing copyright misuse as defense to copyright infringement); Note, *Redefining Copyright Misuse*, 81 COLUM. L. REV. 1291 (1981) (same).

16. *See* Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 979 (4th Cir. 1990) (applying copyright misuse defense to bar infringement claim); quad. inc. v. ALN Assocs., Inc., 770 F. Supp. 1261, 1263 (N.D. Ill. 1991) (applying copyright misuse defense to bar infringement claim and citing *Lasercomb* in arriving at that conclusion); M. Witmark & Sons v. Jensen, 80 F. Supp. 843, 850 (D. Minn. 1948) (applying copyright misuse defense to bar infringement claim); *infra* notes 98-116 and accompanying text (discussing various courts' reasons for declining to apply copyright misuse defense).

doctrine of patent misuse.[17] The seminal case associated with the patent misuse defense is *Morton Salt Co. v. G.S. Suppiger Co.*,[18] in which the Supreme Court faced the issue of whether a court of equity should enforce a patent owner's rights in an infringement action when that patent owner used the patent to restrain competition in the sale of an unpatented product.[19] In *Morton Salt*, the plaintiff held a patent on a salt depositing machine.[20] The plaintiff leased these patented machines to canners on the condition that the canners agree to use only the plaintiff's subsidiary's salt tablets with the machine.[21] The defendant allegedly had infringed the plaintiff's patent by making and leasing unpatented salt depositing machines.[22] The Supreme Court found that the plaintiff used its patent on the salt depositing machine to develop a monopoly in the salt tablet market.[23] In resolving *Morton Salt*, the Supreme Court reasoned that, by using the patent on the salt depositing machine to develop a monopoly in unpatented salt tablets, the plaintiff used the patent in a manner not authorized by the patent grant.[24] The Court further asserted that a court's enforcement of a patent establishes the validity of that patent.[25] Thus, a court should not enforce a patent when to do so would establish the patent's validity and, thereby, assist a patent owner in an improper practice.[26] The Court refused to enforce the plaintiff patent owner's rights because the plaintiff used the patent in a manner inconsistent with public policy.[27]

After the Supreme Court's development of the patent misuse doctrine, Congress recognized patent misuse in section 271(d) of the Patent Act.[28] In 1988, Congress amended section 271(d)[29] essentially to limit the application

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17. *See* Fine, *supra* note 15, at 334-36 (asserting that patent misuse considerations are applicable in copyright).

18. 314 U.S. 488 (1942).

19. Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488, 490 (1942).

20. *Id.* at 489.

21. *Id.* at 491.

22. *Id.* at 490-91.

23. *Id.* at 491.

24. *Id.* at 491-92.

25. *Id.* at 493.

26. *Id.*

27. *Id.* at 494.

28. 35 U.S.C. § 271(d) (1982). Section 271(d) originally read as follows:

> No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; or (3) sought to enforce his patent rights against infringement or contributory infringement.

Id.

29. *See* Pub. L. No. 100-703, *reprinted in* 102 Stat. 4674 (1988) (amending § 271(d))8)). Pub. L. No. 100-703 stated:

of the patent misuse defense in tie-in cases[30] to a rule-of-reason standard.[31] Generally, section 271(d) only defines conduct that does not constitute patent misuse.[32] However, section 271(d)(5) vaguely defines the standard for determining when a tying arrangement[33] may constitute patent misuse.[34] In determining whether a tying arrangement constitutes patent misuse, courts likely will apply a rule-of-reason standard.[35] The thrust of the rule-of-reason standard is that, after finding that a patent owner has crossed the "market power threshold,"[36] a court still may find that a tying arrangement does not constitute a misuse if the benefits of the tie-in outweigh its anticompetitive aspects.[37]

During discussions of an earlier version of the above amendment to section 271(d),[38] some United States senators expressed doubt as to whether

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Section 271(d) of title 35, United States Code, is amended by striking out the period at the end thereof and inserting in lieu thereof 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."

Id. at 4676.

30. *See generally* Kobak, *The New Patent Misuse Law*, 71 J. PAT. OFF. & TRADEMARK OFF. SOC'Y 859 (1989) (analyzing 35 U.S.C. § 271(d)); Susman, *supra* note 15, at 315-320; H. HOVENKAMP, ECONOMICS AND FEDERAL ANTITRUST LAW 214 (1985) (defining tying arrangement). According to Hovenkamp, "[a] tie-in or tying arrangement is a sale or lease of one product on the condition that the buyer take a second product as well." *Id.* at 214.

31. *See* HOVENKAMP, *supra* note 30, at 124-127 (discussing rule-of-reason analysis in antitrust). In considering the rule-of-reason, Hovenkamp quotes Justice Stevens's statement that courts will look at "the facts peculiar to the business, the history of the [challenged] restraint, and the reasons why it was imposed" to determine anticompetitiveness. *Id.* at 125.

32. *See* 35 U.S.C. § 271(d)(1-4) (1988) (noting conduct that does not constitute misuse).

33. *See* HOVENKAMP, *supra* note 30, at 214 (defining tying arrangement).

34. *See* 35 U.S.C. § 271(d)(5) (1988) (stating that court is not to deem patent owner guilty of patent misuse unless patent owner possesses market power).

35. *See* Susman, *supra* note 15, at 319-320 (explaining that legislative history indicates that section 271(d) employs rule-of-reason type analysis).

36. *See* 134 CONG. REC. S17147 (daily ed. Oct. 21, 1988) (statement of Sen. DeConcini) (explaining that Patent Misuse Reform Act establishes market power threshold whereby infringer must show that patent owner possesses market power before court will consider issue of patent misuse); 4 D.S. CHISUM, PATENTS: A TREATISE ON THE LAW OF PATENTABILITY, VALIDITY, AND INFRINGEMENT § 19.04 [2] (1990) (noting Senator DeConcini's discussion of market power threshold, and quoting comments of Senator DeConcini).

37. *See* 134 CONG. REC. S17147 (daily ed. Oct. 21, 1988) (statement of Sen. DeConcini) (explaining effects of Patent Misuse Reform Act of 1988). According to Senator DeConcini, the effects of section 271(d)(5) are to replace the per se approach of determining patent misuse with a rule-of-reason approach, to require a finding of market power before determining a tying arrangement to be a patent misuse, and to permit a patent owner to justify a tying arrangement despite presence of market power if benefits of tying arrangement outweigh anticompetitive aspects. *Id.*; CHISUM, *supra* note 36, at § 19.04 [2] (noting that, according to Senator DeConcini, patent owner may justify tying arrangement even where patent owner possesses market power).

38. *See* Susman, *supra* note 15, at 316-319 (discussing earlier proposed patent amend-

the copyright misuse doctrine existed and asserted that the passage of patent misuse legislation would not affect copyright law.[39] Furthermore, the statutory copyright law provides no guidance as to whether the copyright misuse doctrine exists.[40] Although the patent misuse defense was originally a judicially created doctrine, Congress subsequently recognized that doctrine by statutorily defining what is not a patent misuse.[41] Thus, given the original lack of statutory authority for the patent misuse doctrine, the copyright misuse doctrine may also exist, despite the absence of a statute, through judge-made doctrine. The failure of Congress affirmatively to recognize a copyright misuse defense or to limit such a defense, regardless of the views of individual senators, does not resolve the issue of whether the copyright misuse doctrine actually exists.[42]

Because the Supreme Court never has recognized explicitly a copyright misuse doctrine, confusion exists as to the applicability of a misuse doctrine to the area of copyright.[43] The Supreme Court, however, implicitly may

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ment). Susman notes that Congress considered a patent misuse amendment providing for a straight antitrust standard. *Id.* Despite Senate approval, the House of Representatives did not approve the straight antitrust standard, and, at the end of the legislative session, Congress approved a narrower standard which is now codified at 35 U.S.C. § 271(d)(4-5). *Id.*

39. *See* 133 CONG. REC. S10275 (daily ed. July 21, 1987) (statements of Senators DeConcini and Hatch) (emphasizing that proposed patent misuse reform should not affect existing copyright law). In the Senate debate on the predecessor to Pub. L. No. 100-703 (codified at 35 U.S.C. § 271(d)(4-5)), the following exchange occurred between Senator DeConcini and Senator Hatch:

> Mr. DeConcini. Title XXIV deals only with patent law—not copyrights or trademarks or other intellectual property issues. Moreover, the Judiciary Committee has not had before it any proposal relating to copyright misuse in the 100th Congress, and therefore we had no pending proposal to address.
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> Mr. Hatch. I want to be assured that no one draws any negative implication from the fact that we have not restricted the application of the so-called copyright misuse doctrine in the same way we limit patent misuse. We do not want anyone to conclude that by not dealing with copyright misuse Congress has somehow, first recognized the validity of this little-known doctrine, or second, given it an expanded application of meaning. Is my understanding correct?
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> Mr. DeConcini. You are absolutely correct. Our decision not to address copyright misuse should not be interpreted as even tacit approval of that doctrine, as it now exists, if it now exists. The so-called copyright misuse doctrine is vague and tenuous; unlike the doctrine of patent misuse, copyright misuse has little or no support in case law and probably should be eliminated completely. We certainly would not want to give any increased vitality to it through our action today on the very different topic of patent misuse.

Id.

40. *See* Susman, *supra* note 15, at 317-319 (indicating that Congress has not adopted statutory copyright misuse despite early proposal for statutory copyright misuse).

41. *See supra* notes 18-37 and accompanying text (discussing development of patent misuse in *Morton Salt* and subsequent congressional adoption of patent misuse statute).

42. *See supra* note 39 (acknowledging comments of Senator DeConcini and Senator Hatch that statutory adoption of patent misuse does not affect copyright law).

43. *See* Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 976 (4th Cir. 1990) (noting that Supreme Court has not formally adopted copyright misuse defense); *compare* Rural Tel.

have accepted the copyright misuse doctrine.[44] Specifically, two Supreme Court cases involving Sherman Anti-Trust Act violations lend support to the argument for a copyright misuse doctrine. In the first case, *United States v. Paramount Pictures, Inc.*,[45] the issue was whether certain practices of the defendants, the copyright owners, constituted antitrust violations. All but one of the defendant film companies engaged in the practice of block-booking.[46] The Supreme Court accepted the district court's condemnation of block-booking as violative of the principles of antitrust.[47] The Court also accepted the district court's reasoning that the enlargement of the copyright through block-booking was similar to the enlargement of the patent monopolies in cases such as *Morton Salt*.[48] In applying a copyright extension theory, the *Paramount Pictures* Court noted that the government confers copyrights to benefit the public.[49] The Court asserted that a copyright achieves this benefit by rewarding authors for their works and thereby encouraging authors to contribute to society.[50] According to the *Paramount Pictures* court, the benefit to the author is secondary to the benefit to the public.[51] However, if works of higher quality are tied to lesser works, through means such as block-booking, the copyright owner extends the monopoly in a manner condemned in similar patent cases and, likewise, undermines the public policy in granting copyrights.[52]

The Supreme Court provided further support for the theory of copyright misuse in *United States v. Loew's Inc.*.[53] In *Loew's*, the defendant film

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Serv. Co. v. Feist Publications, Inc., 663 F. Supp. 214 (D. Kan. 1987) (rejecting application of misuse doctrine of *Morton Salt* to copyright law), *aff'd*, 916 F.2d 718 (10th Cir. 1990), *rev'd on other grounds*, 111 S. Ct. 1282 (1991) *with* M. Witmark & Sons v. Jensen, 80 F. Supp. 843 (D. Minn. 1948) (applying copyright misuse defense to bar infringement claim).

44. *See* Fine, *supra* note 15, at 322-324 (discussing *Loew's* and *Paramount Pictures* as Supreme Court opinions that may be interpreted as supporting theory of copyright misuse); Note, *supra* note 15, at 1304-1306, 1304 n.62 (discussing *Loew's*, *Paramount Pictures*, and *BMI v. CBS* as Supreme Court cases supporting theory of copyright misuse).

45. 334 U.S. 131 (1948).

46. United States v. Paramount Pictures, Inc., 334 U.S. 131, 156 (1948). According to the *Paramount Pictures* Court, block-booking occurs when a film company conditions the licensing of one film on an exhibitor's agreement also to take an additional film or group of films. *Id.*

47. *Id.* at 157-58.

48. *Id.* at 157.

49. *Id.* at 158.

50. *Id.*

51. *Id.*; *see also* Brown, *Eligibility for Copyright Protection: A Search for Principled Standards*, 70 MINN. L. REV. 579, 592 (1985) (stating that Supreme Court regularly reasserts that, under copyright policy, reward to author is secondary to benefit to public). In addition to stating the constitutional approach in which public benefit is primary, Brown notes an alternative "exaltation of authorship" approach. *Id.* at 589. According to this exaltation of authorship approach, the author's copyright should be treated as a basic property element. *Id.* at 589-591.

52. *Paramount*, 334 U.S. at 158.

53. 371 U.S. 38 (1962).

distributors also engaged in block-booking in offering licenses to television broadcasters.[54] The Supreme Court cited certain patent misuse cases[55] that involved tying arrangements to reason that similar tying arrangements in the copyright field also constitute antitrust violations.[56] The Court specifically cited *Morton Salt* for the proposition that a patent owner may not utilize the monopoly power conferred by the patent to extend his monopoly to unpatented products.[57] The *Loew's* Court reasoned that block-booking compounded the monopoly that the copyright granted in a manner violative of the antitrust laws.[58]

In addition to *Paramount Pictures* and *Loew's*, one commentator has asserted that the Supreme Court, in *Broadcast Music, Inc. v. Columbia Broadcasting System*,[59] endorsed the copyright misuse doctrine and implicitly linked the doctrine to an antitrust standard.[60] Perhaps a more accurate assessment of *BMI v. CBS* is that the Supreme Court only implicitly accepted the copyright misuse doctrine.[61] In *BMI v. CBS*, the Court faced a situation in which the United States Court of Appeals for the Second Circuit had found that Broadcast Music, Inc. (BMI) and the American Society of Composers, Authors & Publishers (ASCAP) had misused their copyrights through the use of blanket licenses.[62] *BMI v. CBS*, though, was a private antitrust action rather than an infringement action.[63] Columbia Broadcasting System (CBS) did not raise misuse as a defense.[64] Instead, CBS, in addition to its antitrust claim, sought a declaratory judgment that BMI and ASCAP misused their copyrights.[65] The court of appeals found that the blanket licenses of BMI and ASCAP constituted per se price fixing and further concluded that the per se price fixing constituted misuse of copyright.[66]

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

55. *Id.* at 46 (citing Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488 (1942), and Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 661 (1944)); *see supra* notes 18-27 and accompanying text (discussing *Morton Salt*).

56. *Loew's Inc.*, 371 U.S. at 50.

57. *Id.* at 46.

58. *Id.* at 52.

59. 441 U.S. 1 (1979).

60. *See* Note, Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.: *The Copyright Misuse Doctrine*, 15 NEW ENG. L. REV. 683, 684 (1980) (asserting that Supreme Court endorsed copyright misuse doctrine in *BMI v. CBS* based on antitrust standard).

61. *See* Susman, *supra* note 15, at 306 (stating that Supreme Court in *BMI v. CBS* implicitly may have recognized copyright misuse defense).

62. Broadcast Music, Inc. v. Columbia Broadcasting Sys., 441 U.S. 1, 6 & n.9 (1979). The Supreme Court in *CBS v. BMI* defined blanket licenses as licenses "which give the licensees the right to perform any and all of the compositions owned by the members or affiliates [of BMI or ASCAP] as often as the licensees desire for a stated term." *Id.* at 5. BMI and ASCAP ordinarily offer blanket licenses for either a flat fee or a percentage of a licensee's total revenue without direct regard for the amount of music the licensees actually perform. *Id.*

63. *Id.* at 6.

64. *Id.* at 6 n.7.

65. *Id.*

66. *Id.* at 6-7, & 7 n.9.

Thus, when the Supreme Court reversed and remanded the court of appeals' determination that the blanket licensing was per se price fixing, the Court reversed and remanded the misuse determination as well.[67] By reversing the per se antitrust determination and the dependent judgment of misuse, the Court in *BMI v. CBS* implicitly may have accepted copyright misuse.[68] The Supreme Court's action is significant in that the Court did not accept explicitly the doctrine of copyright misuse.[69] The Court noted that the Second Circuit undoubtedly based the Second Circuit's finding of misuse on the finding of unlawful price fixing.[70] Because the Supreme Court found that the price fixing was not a per se antitrust violation, the Second Circuit's basis for the finding of misuse disappeared.[71] The Supreme Court, however, did not engage in an independent analysis of the copyright misuse issue, nor did the Court explicitly find that an antitrust violation was a prerequisite to a finding of copyright misuse.[72] The Court's reversal of the copyright misuse issue may imply that the Court recognizes the theory of copyright misuse.[73]

In the absence of a Supreme Court opinion explicitly treating the issue of copyright misuse, only one court before *Lasercomb America, Inc. v. Reynolds* actually had applied a copyright misuse defense to bar an infringement claim. In *M. Witmark & Sons v. Jensen,*[74] a district court case often cited in discussions of a copyright misuse defense,[75] the plaintiffs, members ASCAP, sued certain movie theaters for allegedly infringing the

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67. *Id.* at 24.

68. *See* Susman, *supra* note 15, at 306 (noting that Supreme Court, by reversing and remanding per se antitrust judgment and dependent copyright misuse judgment in *BMI v. CBS*, implicitly may have accepted copyright misuse defense); Note, *supra* note 60, at 693 (suggesting that Supreme Court's failure expressly to consider copyright misuse issue indicated that Supreme Court endorsed theory of copyright misuse).

69. *See BMI v. CBS*, 441 U.S. at 6 n.9, 24 (finding licensing practices not to be per se antitrust violations and, thus, reversing judgment of price fixing and dependent judgment of copyright misuse). After engaging in an extensive analysis of the antitrust issue regarding price fixing, the Supreme Court, in *BMI v. CBS*, dealt with the copyright misuse issue simply by referring to an earlier footnote in the Supreme Court opinion in which the Court noted that the Second Circuit had based the copyright misuse judgment solely on the finding of unlawful price fixing. *Id.*

70. *Id.* at 6 n.9.

71. *Id.* at 24.

72. *See* Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 977 n.17 (4th Cir. 1990) (noting that Supreme Court in *BMI v. CBS* did not determine that finding of copyright misuse must depend on finding of antitrust violation).

73. *See* Susman, *supra* note 15, at 306 (asserting that Supreme Court's treatment of copyright misuse in *BMI v. CBS* may be implicit acceptance of copyright misuse defense).

74. 80 F. Supp. 843 (D. Minn. 1948).

75. *See, e.g., Lasercomb*, 911 F.2d at 976 (citing *Jensen*); United Artists Associated v. NWL Corp., 198 F. Supp. 953, 958 (S.D.N.Y 1961) (same); *F.E.L. Publications, Ltd.*, 506 F. Supp. 1127, 1136 (N.D. Ill. 1981) (same), *rev'd*, 214 U.S.P.Q. 409 (7th Cir. 1982), *cert. denied*, 459 U.S. 859 (1982).

plaintiff's copyrights.[76] The movie theaters showed ASCAP material to the public without obtaining a license from ASCAP.[77] The movie theaters asserted that the plaintiffs illegally had extended plaintiffs' copyrights and violated the antitrust laws by offering only blanket licenses.[78] The United States District Court for the District of Minnesota found that the plaintiffs had violated the antitrust laws.[79] Because the plaintiffs had extended their copyright monopoly beyond the scope of the grant, the district court denied plaintiffs recovery in their infringement action.[80] The *Jensen* court reasoned that the plaintiffs had tied some copyrighted music with other copyrighted music through the blanket licensing and, thus, had extended their copyright monopoly.[81] In reaching this conclusion, the *Jensen* court cited *Paramount Pictures*[82] to support the monopoly extension theory.[83] The *Jensen* court, however, declined to decide whether an antitrust violation alone would bar the plaintiff's infringement action.[84]

Some courts have recognized the existence or possible existence of the copyright misuse defense during early stages of litigation without actually applying the doctrine to bar an infringement action.[85] For example, in *United Artists Associated, Inc. v. NWL Corp.*,[86] the plaintiff, United Artists Associated, Inc. (United Artists), sued NWL Corp. (NWL) for allegedly infringing the plaintiff's copyright and for engaging in unfair trade practices by receiving the plaintiff's movies through television broadcast, reproducing, and distributing these movies for a fee.[87] United Artists moved to strike

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76. M. Witmark & Sons v. Jensen, 80 F. Supp. 843, 844 (D. Minn. 1948).

77. *Id.*

78. *Id.* at 844-45. In *Jensen* the United States District Court for the District of Minnesota explained that, to show a film, a theater must obtain the performance rights to any material under copyright that is included in the film. *Id.* According to the *Jensen* court, "blanket licensing" refers to ASCAP's licensing practice of granting to each theater owner one license that covers the performance rights to all ASCAP material. *Id.* at 845. The theaters contended that they did not have the opportunity to deal with individual copyright owners as to particular music. *Id.* Instead, the theaters had to obtain a blanket license from ASCAP. *Id.*

79. *Id.* at 849.

80. *Id.* at 847-848. The *Jensen* court reasoned that the plaintiffs had extended their copyright monopoly by "[tying] their copyrights with other copyrighted music and thus have shared in the rewards which are obtained from other copyrighted material." *Id.*

81. *Id.*

82. United States v. Paramount Pictures, Inc., 334 U.S. 131 (1948); see *supra* notes 45-52 and accompanying text (discussing *Paramount Pictures*).

83. *Jensen*, 80 F. Supp. at 848.

84. *Id.* at 850.

85. *See infra* notes 86-115 and accompanying text (discussing cases in which courts mentioned or recognized, but did not apply, copyright misuse).

86. 198 F. Supp. 953 (S.D.N.Y. 1961).

87. United Artists Associated, Inc. v. NWL Corp., 198 F. Supp. 953, 955 (S.D.N.Y. 1961). In *United Artists*, the United States District Court for the Southern District of New York considered the plaintiff's motion to strike the affirmative defense of copyright misuse from the defendant's answer. *Id.* United Artists argued that the defense was legally insufficient because a misuse or antitrust violation is not a permissible defense in an infringement action

NWL's copyright misuse defense on the ground that the defense was legally insufficient.[88] The United States District Court for the Southern District of New York found that the availability of a misuse defense was a "disputed and substantial" question of law and denied United Artists' motion to strike the copyright misuse defense.[89] The *United Artists* court concluded that a complete hearing was necessary to determine the sufficiency of the copyright misuse defense.[90] More recently, in *Broadcast Music, Inc. v. Hearst/ABC Viacom Entertainment Services*,[91] Broadcast Music, Inc. (BMI) and other plaintiffs sued defendants for copyright infringement.[92] The defendants responded with defenses and counterclaims attacking BMI's use of blanket licenses.[93] BMI moved to strike these defenses and counterclaims, including defendant's affirmative defense of copyright misuse.[94] Noting that some courts have rejected the copyright misuse doctrine and that other courts have recognized but declined to apply the doctrine due to the facts of a particular case,[95] the United States District Court for the Southern District of New York recognized copyright misuse as a "cognizable" defense and denied the plaintiff's motion to strike.[96]

In some cases, the courts evidently determined that a finding of misuse rests on the existence of an antitrust violation.[97] For example, in *United*

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if the alleged misconduct is not directly connected to the controversy, if the alleged misconduct has not prejudiced the defendant, and if a grant of relief to the plaintiff would not contribute to a misuse. *Id.* at 957. The court examined patent and copyright misuse cases and concluded that the issue of the availability of the misuse defense in copyright misuse cases can be resolved only after a hearing. *Id.* at 959. Accordingly, the *United Artists* court denied the motion to strike. *Id.*

88. *Id.* at 955.

89. *Id.* at 959.

90. *Id.*

91. 746 F. Supp. 320 (S.D.N.Y. 1990).

92. Broadcast Music, Inc. v. Hearst/ABC Viacom Entertainment Servs., 746 F. Supp. 320, 324 (S.D.N.Y. 1990).

93. *Id.* at 325.

94. *Id.* at 323. In *Hearst/ABC*, the plaintiffs moved to dismiss an antitrust and copyright misuse counterclaim and moved to strike a copyright misuse defense. *Id.* The United States District Court for the Southern District of New York denied the motion regarding the antitrust portion of the counterclaim. *Id.* at 326. The court also denied plaintiff's motion to strike the affirmative defense of misuse. *Id.* at 328. The court, however, granted the motion to dismiss the misuse counterclaim. *Id.* In denying the motion to strike the misuse defense, the court noted that few courts had recognized the doctrine, while some had even completely rejected the doctrine. *Id.* at 327-28. Nonetheless, the court accepted copyright misuse as a "cognizable" defense on the basis of recent cases that recognized, but did not apply, the defense. *Id.* at 328. The court, in dismissing the misuse counterclaim, described the use of the theory of misuse for affirmative relief as "unprecedented." *Id.*

95. *Id.*

96. *Id.* *See also* Coleman v. ESPN, Inc., 764 F. Supp. 290 (S.D.N.Y. 1991) (citing *Hearst/ABC* in refusing to grant summary judgment motion dismissing copyright misuse defense).

97. *See* Bellsouth Advertising & Publishing Corp. v. Donnelley Information Publishing, Inc., 933 F.2d 952, 961 (11th Cir. 1991) (refusing to apply copyright misuse in absence of

Telephone Co. v. Johnson Publishing Co.[98] the plaintiff, United Telephone Company of Missouri (United Telephone), brought an action for copyright infringement against the defendant, Johnson Publishing Company, Inc. (Johnson).[99] United Telephone alleged that Johnson violated United Telephone's copyright when Johnson used United Telephone's phone book in order to obtain new listings for Johnson's own phone book.[100] Johnson asserted in response that United Telephone misused the copyright by creating a monopoly in the names of subscribers.[101] The United States Court of Appeals for the Eighth Circuit assumed that the copyright misuse doctrine could bar relief if the infringer established misuse on the part of the copyright owner.[102] In making this assumption, the court referred to two cases in which the issue of copyright misuse arose.[103] The *United Telephone* court first relied on the opinion of the United States Court of Appeals for the Seventh Circuit in *F.E.L. Publications, Ltd. v. Catholic Bishop.*[104] In *F.E.L. Publications*, the Seventh Circuit indicated that a misuse amounting to an antitrust violation may be an available defense in an infringement action.[105] The *United Telephone* court then referred to *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*,[106] where the United States Court of Appeals for the Tenth Circuit reversed the district court's application of the copyright misuse doctrine by stating that, if an antitrust violation is a defense, the facts did not support such a finding.[107] Applying *F.E.L. Publications* and *Edward B. Marks*, the *United Telephone* court determined

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antitrust violation); Broadcast Music, Inc. v. Grant's Cabin, Inc., 204 U.S.P.Q. 633, 634-35 (E.D. Mo. 1979) (striking affirmative defense where plaintiffs relied on allegations of antitrust violations to support theory of misuse, but finding no antitrust violation); *infra* notes 98-115 and accompanying text (discussing other cases in which courts determined that finding of copyright misuse required presence of antitrust violation).

98. 855 F.2d 604 (8th Cir. 1988).

99. United Tel. Co. v. Johnson Publishing Co., 855 F.2d 604, 605 (8th Cir. 1988).

100. *Id.*

101. *Id.*

102. *Id.* at 612.

103. *See id.* at 611 (citing F.E.L. Publications, Ltd. v. Catholic Bishop, 506 F. Supp. 1127 (N. D. Ill. 1981), *rev'd*, 214 U.S.P.Q. 409 (7th Cir. 1982), *cert. denied*, 459 U.S. 859 (1982); Edward B. Marks Music Corp. v. Colorado Magnetics, Inc., 357 F. Supp. 280 (W.D. Okla. 1973), *rev'd*, 497 F.2d 285 (10th Cir. 1974), *cert. denied*, 419 U.S. 1120 (1975)).

104. *See United Tel.*, 855 F.2d at 611 (reading Seventh Circuit's opinion in *F.E.L. Publications, Ltd. v. Catholic Bishop*, 214 U.S.P.Q. 409, 413-16 (7th Cir. 1982), *rev'g* 506 F. Supp. 1127 (N.D. Ill. 1981), *cert. denied*, 459 U.S. 859 (1982), as accepting copyright misuse as available defense in proper circumstances).

105. *F.E.L. Publications*, 214 U.S.P.Q. 409, 413 n.9 (7th Cir. 1982); *see United Telephone*, 855 F.2d at 611 (interpreting Seventh Circuit's opinion in *F.E.L. Publications* as accepting that misuse that amounts to antitrust violation may constitute defense in infringement action).

106. 497 F.2d 285 (10th Cir. 1974).

107. *See United Tel.*, 855 F.2d at 611-12 (noting that court in *Edward B. Marks Music Corp.*, 497 F.2d 285 (10th Cir. 1974), *cert. denied*, 419 U.S. 1120 (1975), held that, if copyright misuse defense is available, defendant failed to show conduct on part of plaintiff to support application of defense).

that the copyright owner's activities in the instant case did not violate the antitrust laws and, thus, did not constitute a misuse.[108]

In another example of a court applying an antitrust standard to copyright misuse, the United States District Court for the District of Minnesota, in *Hutchinson Telephone Co. v. Fronteer Directory Co.*,[109] encountered the issue of whether a defendant telephone company had misused its white pages directory in a manner violative of copyright law. In *Hutchinson,* two companies produced competing telephone directories.[110] The plaintiff, Hutchinson Telephone Company (Hutchinson), claimed that the defendant, Fronteer Directory Company (Fronteer), infringed Hutchinson's copyright in Hutchinson's white page listings when Fronteer used those listings to produce a directory.[111] Fronteer claimed in defense that Hutchinson violated the antitrust laws when Hutchinson refused to allow Fronteer access to Hutchinson's white pages and used the white page listings to control the market in yellow page listings.[112] Fronteer also raised the defense of copyright misuse.[113] The United States District Court for the District of Minnesota determined that Hutchinson did not violate the antitrust laws because Hutchinson did not conspire to restrain trade, nor did Hutchinson possess specific intent to destroy competition.[114] With little analysis of the copyright misuse issue, the *Hutchinson* court found that, because Hutchinson had not violated the antitrust laws, Hutchinson had not misused its copyright.[115]

Courts also outwardly have rejected the copyright misuse defense. For example, in *Rural Telephone Service Co. v. Feist Publications, Inc.*,[116] a telephone directory case similar to *Hutchinson*, the United States District Court for the District of Kansas refused to recognize copyright misuse as a defense.[117] A central issue in *Rural Telephone* was whether the defendant,

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

109. 4 U.S.P.Q.2d 1968 (D. Minn. 1987).

110. Hutchinson Tel. Co. v. Fronteer Directory Co., 4 U.S.P.Q.2d 1968, 1969 (D. Minn. 1987).

111. *Id.* Notably, the Supreme Court, in Feist Publications, Inc. v. Rural Tel. Serv. Co., 111 S. Ct. 1282 (1991), resolved the threshold issue of whether a telephone company has a protected copyright interest in white page listings. *See infra* notes 116-24 and accompanying text (discussing *Rural Telephone* and indicating that white page listings that are devoid of originality do not receive copyright protection).

112. *Hutchinson*, 4 U.S.P.Q.2d at 1969. In *Hutchinson*, Fronteer also claimed that Hutchinson violated the antitrust laws by conspiring with GTE Directories Corp. to restrain the yellow pages market. *Id.* at 1970.

113. *Id.* at 1969.

114. *Id.* at 1970-72.

115. *Id.* at 1972.

116. 663 F. Supp. 214 (D. Kan. 1987).

117. Rural Tel. Serv. Co. v. Feist Publications, Inc., 663 F. Supp. 214 (D. Kan. 1987), *aff'd*, 916 F.2d 718 (10th Cir. 1990), *rev'd on other grounds*, 111 S. Ct. 1282 (1991). In *Rural Telephone*, Rural Telephone Service Co. (Rural) sued Feist Publications Inc. (Feist) for copyright infringement, alleging that Feist had copied white pages from Rural's 1982-1983 telephone directory. 663 F. Supp. at 216. As a defense, Feist asserted copyright misuse on the basis of Rural's alleged antitrust violations. *Id.* at 219-20. The United States District Court

Feist Publications, Inc. (Feist), a publisher of telephone directories, infringed the copyright of Rural Telephone Service Co. (Rural) by using Rural's directory to gather names for Feist's directory.[118] In *Rural Telephone*, the alleged infringer, Feist, argued that the district court should extend the patent misuse doctrine of *Morton Salt* to copyright actions.[119] Feist argued that Rural should not be allowed to assert rights of copyright[120] because Rural violated federal antitrust laws.[121] The district court rejected Feist's argument, stating that lower courts generally had refused to recognize antitrust violations as a defense to infringement.[122] The United States Court of Appeals for the Tenth Circuit affirmed the district court's judgment in *Rural Telephone*.[123] Ultimately, the Supreme Court reversed, but the reversal rested on the grounds that Rural did not have a protected interest in its white pages.[124]

Rural Telephone is indicative of the problem of courts linking the analysis of copyright misuse with the analysis of antitrust violations. Courts often fail to recognize that copyright misuse rests on a public policy of preventing monopoly extension.[125] Given this failure to recognize the public policy justification for preventing copyright misuse, a court's reliance on

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for the District of Kansas, citing three district court cases for the proposition that antitrust violations do not constitute a defense to copyright infringement actions, refused to adapt the theory embodied in patent misuse to the copyright law. *See id.* at 220 (citing Orth-O-Vision, Inc. v. Home Box Office, 474 F. Supp. 672, 686 (S.D.N.Y. 1979); Peter Pan Fabrics, Inc. v. Candy Frocks, Inc., 187 F. Supp. 334, 336 (S.D.N.Y. 1960); Harms, Inc. v. Sansom House Enters., Inc., 162 F. Supp. 129, 135 (E.D. Pa. 1958)). The Tenth Circuit, in an unpublished opinion, affirmed the lower court's determination that an antitrust violation is not a defense to a copyright infringement suit. *Rural Telephone*, 916 F.2d 718.

118. *See Rural Telephone*, 663 F. Supp. at 217.

119. *Id.* at 219.

120. *See* 17 U.S.C. § 106 (1988) (identifying five exclusive rights that copyright grant confers upon copyright owner).

121. *Rural Telephone*, 663 F. Supp. at 220.

122. *Id.*

123. *See* Rural Tel. Serv. Co. v. Feist Publications, Inc., 916 F.2d 718 (10th Cir. 1990); *rev'd on other grounds*, 111 S. Ct. 1282 (1991).

124. Feist Publications Inc. v. Rural Tel. Serv., 111 S. Ct. 1282, 1297 (1991). According to the Supreme Court, the intent of copyright is to reward originality rather than effort. *Id.* The Court noted that, "[b]ecause Rural's white pages lack the requisite originality, Feist's use of the listings cannot constitute infringement. *Id.*

125. *See* Gibbs, *supra* note 15, at 36 (noting confusion caused by failure to understand how policy rationale behind copyright misuse differs from policy rationale behind antitrust law). According to Gibbs, the confusion over copyright misuse stems from courts, like the district court in *Rural Telephone*, that link copyright misuse with antitrust. Gibbs explains:

> The failure to understand this teaching of the patent cases, that refusal to entertain an action for infringement is based upon the policy against conduct 'expanding the patent beyond the legitimate scope of its monopoly,' not upon a policy of denying relief to one who violates the antitrust laws, has been the source of the confusion over copyright misuse.

Id. (quoting Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 661, 665 (1944)); *see also* Bellsouth Advertising & Publishing Corp. v. Donnelley Information Publishing, Inc., 933 F.2d 952, 961 (11th Cir. 1991) (characterizing defense as "antitrust misuse defense").

antitrust principles may be inappropriate. The reason for applying the copyright misuse defense is to insure that the public policy prevails.[126] This policy entails more than the anticompetitive effects to which the antitrust laws respond.[127] If a copyright owner engages in conduct that deprives the public of a benefit due the public under the copyright laws, then that conduct should amount to a misuse regardless of the conduct's anticompetitive effect.[128] Unfortunately, many courts that have dealt with the issue of copyright misuse have engaged only in antitrust analysis, with widely differing results.[129]

Despite the conflicting opinions regarding the existence and application of the copyright misuse doctrine, the United States Court of Appeals for the Fourth Circuit recognized and applied the copyright misuse defense in *Lasercomb America, Inc. v. Reynolds*.[130] In *Lasercomb* the plaintiff, Lasercomb America, Inc. (Lasercomb), who held the copyright to a computer software program, alleged that the defendants, Holiday Steel Rule Die Corp. (Holiday Steel), its president and sole shareholder, Larry Holliday, and a computer programmer for Holiday Steel, Job Reynolds, had illegally copied Lasercomb's copyrighted software thus infringing on Lasercomb's copyright.[131] Both Lasercomb and Holiday Steel produced steel rule dies used to manufacture cardboard boxes and cartons.[132] To aid in the making of these steel rule dies, Lasercomb developed a computer program called Interact, and, subsequently, licensed four copies of Interact to Holiday Steel.[133] Holiday Steel, without authorization, however, made three additional copies of Interact. Subsequently, Holliday directed Reynolds to develop a software program that was virtually a direct copy of Interact.[134] The United States District Court for the Middle District of North Carolina found that the defendants infringed Lasercomb's copyright.[135] On appeal, Holliday and Reynolds did not dispute that they copied Interact.[136] Instead, Holliday and Reynolds asserted copyright misuse as an affirmative defense to Lasercomb's infringement action.[137] Holliday and Reynolds argued that through anticom-

126. *See infra* notes 179-183 and accompanying text (discussing public policy concerns upon which copyright misuse defense is based).

127. *See* Note, *Copyright Self-Help Protection as Copyright Misuse: Finally, the Other Shoe Drops*, 57 UMKC L. REV. 899, 901 (1989) (explaining that anticompetitive effects often do not accompany copyright misuse).

128. *See id.* at 914-15 (asserting that copyright owners who misuse copyright may deprive public of benefits due public under copyright law while such misuse may not produce anticompetitive effect on marketplace).

129. *See supra* notes 74-124 and accompanying text (discussing various conclusions courts have reached on existence and applicability of copyright misuse defense).

130. 911 F.2d 970 (4th Cir. 1990).

131. Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 971-72 (4th Cir. 1990).

132. *Id.* at 971.

133. *Id.*

134. *Id.*

135. *Id.* at 970, 972.

136. *Id.* at 972.

137. *Id.*

petitive language in the licensing agreement,[138] Lasercomb, as the copyright owner, restricted licensees from creating software of a similar nature and that such a restriction constituted copyright misuse.[139]

Engaging in an historical analysis of intellectual property generally and the doctrines of patent and copyright misuse specifically,[140] the Fourth Circuit initially noted the similarities between the development and policies of the patent and copyright laws of England.[141] According to the *Lasercomb* court, the English Crown granted patents, which allowed for a limited monopoly to inventors, to encourage the creation of inventions.[142] Similarly, to encourage authors to express new ideas, the English Crown granted publication rights to authors for a certain number of years.[143] The Fourth Circuit then concluded that the framers of the United States Constitution had considered the concepts of patent and copyright as similar enough in purpose[144] to include these concepts together in Article I, section 8, clause 8 of the Constitution.[145] The court next noted that the Supreme Court has recognized that both patent policy and copyright policy are designed to achieve progress by encouraging inventors and authors.[146] Following this comparison of patent and copyright policy, the *Lasercomb* court discussed the misuse of patent defense by referring to the "foundational patent misuse

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138. *Id.* at 973. In *Lasercomb*, the anticompetitive language in the licensing agreement read as follows:

> D. Licensee agrees during the term of this Agreement that it will not permit or suffer its directors, officers and employees, directly or indirectly, to write, develop, produce or sell computer assisted die making software.
>
> E. Licensee agrees during the term of this Agreement and for one (1) year after the termination of this agreement, that it will not write, develop, produce or sell or assist others in the writing, developing, producing or selling computer assisted die making software, directly or indirectly without Lasercomb's prior written consent. Any such activity undertaken without Lasercomb's written consent shall nullify any warranties or agreements of Lasercomb set forth herein.

Id.

139. *Id.*

140. *Id.* at 974-76.

141. *Id.* at 974.

142. *Id.*

143. *Id.* at 975.

144. *Id.*

145. *Id.* Article I, section 8, clause 8 of the Constitution provides that "[the Congress shall have Power] to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art. I, § 8, cl. 8.

146. *Lasercomb*, 911 F.2d at 975. As support for the conclusion that patent and copyright policy both are designed to achieve progress, the *Lasercomb* court quoted Mazer v. Stein, 347 U.S. 201, 219 (1954):

> 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 authors and inventors in "Science and useful Arts." Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered.

Lasercomb, 911 F.2d at 975.

case" of *Morton Salt Co. v. G.S. Suppiger Co.*[147] The *Lasercomb* court also acknowledged congressional recognition of patent misuse in the 1988 Patent Misuse Reform Act.[148]

After noting the wide recognition of patent misuse, the Fourth Circuit considered whether a similar misuse doctrine exists for copyright.[149] The Fourth Circuit acknowledged that only the United States District Court for the District of Minnesota in *M. Witmark & Sons v. Jensen* actually had barred a plaintiff's infringement action solely because of the plaintiff's misuse of copyright.[150] The *Lasercomb* court, however, also mentioned that other courts had expressed the view that the *Morton Salt* rationale[151] could be applicable in the context of copyright.[152] The Fourth Circuit concluded that the misuse defense should be available in copyright as well as patent because of the "parallel public interests" that copyright and patent serve.[153] In reaching this conclusion, the *Lasercomb* court underscored the similarity between patent policy and copyright policy by adapting part of the *Morton Salt* patent analysis to copyright simply by substituting copyright terms for patent terms.[154]

After determining that the copyright misuse doctrine existed, the *Lasercomb* court applied the misuse doctrine to the case at bar. The *Lasercomb* court compared the anticompetitive language of the licensing agreement[155] with similar anticompetitive language found in *Compton v. Metal Products, Inc.*,[156] a patent case in which the Fourth Circuit barred a plaintiff's infringement action because that plaintiff had misused its patent.[157] The

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147. 314 U.S 488 (1942). *See Lasercomb*, 911 F.2d at 975-76 (discussing *Morton Salt*).

148. *Lasercomb*, 911 F.2d at 976. *See* Patent Misuse Reform Act, Pub. L. No. 100-703, 102 Stat. 4676 (1988) (codified at 35 U.S.C. § 271(d)(4) & (5).

149. *Lasercomb*, 911 F.2d at 976-77.

150. *Id.* at 976; *see supra* notes 74-84 and accompanying text (discussing *Jensen*).

151. *See supra* notes 18-27 and accompanying text (discussing Supreme Court's decision in *Morton Salt*).

152. *Lasercomb*, 911 F.2d at 976 n.16. In *Lasercomb* the Fourth Circuit noted that at least one other circuit had expressed the opinion that the public monopoly extension rationale of *Morton Salt* was applicable to copyright. *Id.* (citing Mitchell Bros. Film Group v. Cinema Adult Theater, 604 F.2d 852, 865 n.27 (5th Cir. 1979), *cert. denied*, 445 U.S. 917 (1980)).

153. *Lasercomb*, 911 F.2d at 976.

154. *Id.* at 977. The *Lasercomb* court adapted the *Morton Salt* patent analysis as follows:

> The grant to the [*author*] of the special privilege of a [*copyright*] carries out a public policy adopted by the Constitution and laws of the United States, "to promote the Progress of Science and useful Arts, by securing for limited Times to [*Authors*] . . . the exclusive Right . . ." to their [*"original" works*]. United States Constitution, Art. I, § 8, cl. 8, [*17 U.S.C.A. § 102*]. But 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.

Id. (emphasis on adaptation and ellipses in original).

155. *See supra* note 138 (quoting anticompetitive agreement in *Lasercomb*).

156. 453 F.2d 38 (4th Cir. 1971), *cert denied*, 406 U.S. 968 (1972).

157. *Lasercomb*, 911 F.2d at 978-79. The *Lasercomb* court compared the anticompetitive

Lasercomb court determined that the anticompetitive language of the license agreement in *Lasercomb* was as "egregious" as the anticompetitive language found to bar the plaintiff's infringement action in *Compton*.[158] The *Lasercomb* court noted that a copyright confers a privilege to the author because the copyright grants that author certain rights in the expression of an idea.[159] However, as the *Lasercomb* court recognized, a copyright does not protect the idea itself.[160] Thus, the court reasoned that, while Lasercomb could restrict the copying of Interact, Lasercomb could not restrict the independent development of software that might compete with Interact.[161] Because Lasercomb had attempted to restrict competition outside the copyright, Lasercomb lost its right to assert its copyright against an infringer.[162]

Despite the *Lasercomb* court's resolution of the existence of a copyright misuse defense in an infringement action, the question of what constitutes copyright misuse remains. In analyzing the development of the patent misuse doctrine and the limited recognition of the copyright misuse doctrine, courts might apply an antitrust standard to determine whether a copyright owner has misused its copyright.[163] One commentator, in arguing for an antitrust standard in the copyright misuse doctrine, noted that a court may deem a patent owner to have misused his patent in a tying arrangement[164] only if that patent owner possessed "market power" as required by the patent act, 35 U.S.C. section 271(d)(5).[165] The commentator then extended this require-

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language in Lasercomb's licensing agreement with the anticompetitive language of a licensing agreement from a patent misuse case, Compton v. Metal Products, Inc., 453 F.2d 38 (4th Cir. 1971). An issue in *Compton* was whether the plaintiff, Compton, had misused its patent. *Compton*, 453 F.2d at 44. Through a non-competition clause in the licensing agreement, Compton restricted itself in competing with others. *Id.* at 44. The language of the agreement read:

> During any period for which he is entitled to royalties hereunder Compton shall not without Joy's prior consent engage in any business or activity relating to the manufacture or sale of equipment of the type licensed hereunder, or have any affiliation financial or otherwise with, or give any advice, counsel or assistance to, any other person, firm, company, or entity directly or indirectly engaged in the manufacture or sale of such equipment.

Id. According to the *Compton* court, Compton could not demand such a restriction from others. *Id.* at 45. Therefore, the *Compton* court reasoned that Compton could not agree to restrict itself in such a manner either, because such a restriction would deprive the public of the benefits of competition. *Id.* The *Compton* court, in finding the non-competition agreement to be a patent misuse, emphasized the public's interest in free competition. *Id.*

158. *Lasercomb*, 911 F.2d at 979.

159. *Id.* at 978 n.19.

160. *Id.*; *see* 17 U.S.C. § 102(a)-(b) (1988) (stating that copyright protects expression but not idea); Mazer v. Stein, 347 U.S. 201, 217 (1954) (same).

161. *Lasercomb*, 911 F.2d at 978.

162. *Id.*

163. *See* Susman, *supra* note 15, at 322 (arguing that court should only find copyright misuse if copyright owner has violated antitrust law).

164. *See supra* note 30 (defining tying arrangement).

165. Susman, *supra* note 15, at 319. Susman refers to the legislative history of 35 U.S.C. § 271(d)(5) and notes that the market power requirement is to be guided by antitrust principles.

ment to the copyright field, arguing that the possession of market power should be a primary factor in determining whether a tying arrangement in the copyright context amounts to a misuse.[166] According to the commentator, statutory patent misuse law should extend to copyright law because courts derived the doctrine of copyright misuse from the doctrine of patent misuse.[167] In determining market power in the patent context under section 271(d)(5), courts likely will look to antitrust principles.[168] Because antitrust principles will guide the courts in determining market power in the patent context, the commentator argued that an antitrust standard should also guide the courts in determining market power in a tying arrangement involving copyrights.[169] However, the commentator further asserted that courts will likely apply an antitrust standard to patent misuse generally.[170] In other words, the commentator asserted that courts will only find patent misuse when a patent owner has violated the antitrust laws through the use of the patent.[171] According to the commentator, the courts likewise should apply such a straight antitrust standard in determining copyright misuse.[172]

Moreover, another commentator also has asserted the beneficial aspects of applying an antitrust standard to determine copyright misuse.[173] For instance, the antitrust standard would be much clearer in application.[174] Because statutory law embodies and supports the antitrust principles, these statutory antitrust principles seemingly are clearer than the public policy

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Id. at 319-20; *see also* H. HOVENKAMP, ECONOMICS & FEDERAL ANTITRUST LAW 55 (1985) (defining market power in context of antitrust). According to Hovenkamp, "[m]arket power is the ability of a firm to increase its profits by reducing output and charging more than a competitive price for its product." HOVENKAMP, *supra*, at 55.

166. Susman, *supra* note 15, at 322.

167. *Id.* at 322. Susman noted that the Supreme Court, in the cases that implicitly support a copyright misuse doctrine, United States v. Paramount Pictures, Inc., 334 U.S. 131 (1947), United States v. Loew's Inc., 371 U.S. 38 (1962), and Broadcast Music Inc. v. Columbia Broadcasting System, 441 U.S. 1 (1979), asserted that the patent principles regarding tying arrangements also applied to copyrights. Susman, *supra* note 15, at 321 & n.107. Thus, the courts derived copyright misuse doctrine from patent misuse doctrine. *Id.* at 322; *see supra* note 17 and accompanying text (noting that copyright misuse defense finds support in patent misuse doctrine).

168. *See* Susman, *supra* note 15, at 319-320 (noting Senator Leahy's comment during debate on 35 U.S.C. § 271(d)(5), 134 CONG. REC. S17148 (daily ed. Oct. 21, 1988), that determination of market power in patent misuse context would rest on same standards as similar determination in antitrust context).

169. Susman, *supra* note 15, at 321-22.

170. *Id.* at 322.

171. *See id.* (asserting that courts likely will take straight antitrust approach to patent misuse).

172. *Id.* at 322.

173. *See* Note, *supra* note 15, at 1314 (stating that courts should incorporate antitrust standard into copyright misuse doctrine to ensure that only antitrust violation that is directly connected to copyright in question will constitute misuse).

174. *See id.* at 1312 (describing public policy standard as vague and open-ended and asserting that antitrust standard is better suited to determining copyright misuse).

standard of copyright monopoly extension.[175] Furthermore, application of an antitrust standard would make it easier for copyright owners to gauge individual conduct by ensuring that, in the absence of antitrust violations, a court could not find that a copyright owner misused the copyright.[176] With the public policy standard guiding copyright misuse, though, copyright owners are less able to define their own rights.[177]

The *Lasercomb* court, however, clearly did not apply an antitrust standard in holding that Lasercomb misused its copyright.[178] Instead, the Fourth Circuit stated that the principal issue in determining whether a copyright owner has misused its copyright is whether the copyright owner has used its copyright to subvert public policy.[179] Though the *Lasercomb* approach perhaps is less clear than an antitrust approach, the underlying theory of the copyright misuse defense supports the *Lasercomb* approach.[180] The government grants copyrights to encourage authors to contribute the authors' works to society.[181] In return for this contribution, the authors receive certain privileges over their works for a limited time.[182] Notably, the purpose of the copyright is to benefit society; the government achieves this benefit by rewarding authors.[183] Thus, if a copyright owner has thwarted the public policy goal of copyright, the courts should not enforce the copyright in question.

The public policy rationale comes directly from the patent case of *Morton Salt*.[184] However, as the patent misuse doctrine has developed, an antitrust analysis has become intertwined with the patent misuse doctrine.[185] In fact, section 271(d)(5) of the Patent Act requires a rule-of-reason-type analysis to determine whether a tying arrangement constitutes patent misuse, thus underscoring the link between antitrust theory and the patent misuse doctrine.[186] Antitrust analysis, however, does not adapt as easily to copyright

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175. *See id.* at 1311 (noting that uniform application of public policy standard is extremely complicated and asserting that courts should turn to substantive antitrust principles in determining copyright misuse).

176. *See id.* (suggesting that antitrust standard for determining copyright misuse would be certain in application, thus avoiding vagueness of public policy standard).

177. *See id.* (stating that public policy standard is "ill-defined").

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

179. *Id.*

180. *See supra* notes 126-129 (discussing underlying theory of copyright misuse defense).

181. *See* United States v. Paramount Pictures, Inc., 334 U.S. 131, 158 (1948) (stating that copyright is granted to benefit society by encouraging authors to contribute works to society); *supra* notes 49-52 and accompanying text (discussing public policy of copyright).

182. *See* 17 U.S.C. 106(1)-(5) (1988) (listing authors' exclusive rights under copyright law).

183. *Paramount Pictures*, 334 U.S. at 158.

184. 314 U.S. 488 (1942). *See supra* notes 24-27 and accompanying text (discussing public policy of patent in *Morton Salt*).

185. *See* USM Corp. v. SPS Technologies, Inc., 694 F.2d 505, 510-512 (7th Cir. 1982), *cert. denied*, 462 U.S. 1107 (1983) (discussing doctrine of patent misuse and indicating that antitrust principles are basis for analysis of patent misuse).

186. *See* 35 U.S.C. § 271(d)(5) (1988) (defining analysis required before determination that tying arrangement constitutes patent misuse); *supra* notes 31-37 and accompanying text

law as it does to patent law.[187] Though the policies of patent and copyright are similar, the actual grants of each are different.[188] A patent grants a patent owner virtually complete control over the owner's invention, whereas a copyright gives a copyright owner only limited control through five exclusive rights.[189] Also, a patent protects an inventor's idea; a copyright protects only an author's expression of an idea.[190] Thus, in copyright, many expressions of the same or similar idea may be available on the market, making the copyrighted material more substitutable.[191] Because a patent confers so much control over the patented item, misuse of a patent more likely results in an anticompetitive effect.[192]

In contrast, because a copyright confers substantially less than a patent, a copyright owner is less likely to produce an anticompetitive effect through misuse.[193] Despite this lesser potential for causing anticompetitive harm, a copyright owner's misuse still may subvert the public policy embodied in the copyright.[194] For example, one commentator asserted that, through the use of certain devices or techniques to prohibit the reproduction of copyrighted material, a copyright owner potentially has misused its copyright.[195]

(discussing § 271(d)(5) rule-of-reason analysis); Susman, *supra* note 15, at 319-320 (indicating that, in determining patent misuse, courts consider tying arrangements under rule-of-reason analysis).

187. *See* Note, supra note 127, at 901 (explaining that finding of antitrust violation requires finding of anticompetitive effect, and explaining further that misuse of copyright is not likely to create such anticompetitive effect).

188. *See id.* at 904 (noting that patent grants protection to idea whereas copyright grants protection only to expression of idea).

189. *See* 17 U.S.C. 106(1)-(5) (1988) (listing authors' exclusive rights under copyright).

190. *See* 17 U.S.C. § 102(b) (1988) (asserting that copyright protection does not extend to idea); *see also* Mazer v. Stein, 347 U.S. 201, 217 (1954) (stating that copyright provides protection for expression of idea rather than idea itself); Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 978 n.19 (citing *Mazer* for proposition that copyright protection extends to expression of idea rather than idea itself).

191. *See* Note, *supra* note 127, at 904 (noting that copyrighted works are highly substitutable).

192. *See id.* at 901 (noting likelihood of patent misuse to produce anticompetitive effect).

193. *See id.* at 903-04 (noting that, because multiple expressions of one idea may exist in market, copyright owner's misuse likely will not produce anticompetitive effect).

194. *See id.* at 914 (stating that copyright misuse deprives public of benefits due public under copyright grant).

195. *Id.* at 910-914. The commentator asserts as an example a situation in which some video equipment manufacturers have devised a process to prevent the copying of videotapes. *Id.* at 912. The copy prevention technique simply is the method used to prevent the copying of a video. *Id.* Of course, the reason to institute copy prevention techniques is to protect video works from counterfeiters and from consumers who attempt to copy video rentals. *Id.* at 913. However, such copy prevention techniques are permanent. *Id.* The result is that the public also is prevented from making "fair use" copies, such as when a library makes a legal copy of a video for the purpose of protecting its collection. *Id.* Though such a copyright prevention technique likely will not produce an anticompetitive effect, the technique still subverts the public policy and, thus, constitutes copyright misuse. *Id.* at 914.

As this commentator argued, the use of copy prevention likely will outlive the copyright grant.[196] Thus, when the material enters the public domain, and the public has the right to reproduce the work, reproduction still may be impossible.[197] By producing works that cannot be copied, the copyright owner has subverted public policy and, thus, has misused its copyright.[198] However, because the copy prevention technique would not produce an anticompetitive harm, a court applying an antitrust standard to copyright misuse would not find that the copyright owner misused its copyright.[199] Given this inequitable result, courts should adopt a public policy "monopoly extension" standard rather than an antitrust standard in determining whether a copyright owner has misused its copyright.[200]

Though direct support for the copyright misuse doctrine in the case law is sparse,[201] the *Lasercomb* court correctly recognized a copyright misuse defense for the following reasons. First, the policy rationale for granting patents and copyrights basically is the same because both patents and copyrights further a policy of encouraging inventors and authors to contribute to society.[202] Second, the Supreme Court has utilized patent misuse cases to support reasoning in antitrust cases involving copyright.[203] Third, a copyright confers only limited rights in the expression of an idea.[204] If a copyright owner subverts public policy by extending the limited monopoly beyond the intended scope of the copyright, courts should bar that copyright owner from asserting the owner's rights conferred by the copyright in court.[205] Though the Supreme Court never expressly has formulated a copyright misuse doctrine, the Supreme Court's patent misuse doctrine,[206] coupled with the Court's recognition of the similarities in patent and copyright,[207] indicates that the copyright misuse doctrine exists.[208] Although

196. *See id.* at 913-914 (explaining that method of copyright protection is permanent and prevents copying even after copyright period expires).

197. *Id.* at 914.

198. *Id.*

199. *Id.* at 914.

200. *See supra* notes 80-83 and accompanying text (introducing monopoly extension standard).

201. *See supra* notes 45-115 and accompanying text (discussing cases that implicitly or explicitly support copyright misuse doctrine).

202. *See supra* note 146 and accompanying text (noting that policy in granting patents and copyrights is to encourage individual contribution to society in order to advance public welfare).

203. *See supra* notes 45-58 and accompanying text (discussing *Paramount Pictures* and *Loew's*).

204. *See* 17 U.S.C. 106(1)-(5) (1988) (defining exclusive rights conferred by copyright).

205. *See supra* notes 80-83 and accompanying text (introducing monopoly extension theory).

206. *See supra* notes 18-27 and accompanying text (discussing patent misuse doctrine of *Morton Salt*).

207. *See* Mazer v. Stein, 347 U.S. 201, 219 (1954) (noting policy similarities between patent and copyright); *supra* note 146 (indicating *Lasercomb* court's quotation of *Mazer*).

208. *See supra* notes 145, 153 and accompanying text (noting *Lasercomb* court's discussion

several courts have disallowed the copyright misuse defense because the plaintiffs had not violated the antitrust laws,[209] the Fourth Circuit correctly concluded that a misuse does not have to be a violation of antitrust law to suffice as an equitable defense to an infringement action.[210] Relying heavily upon the existence of a similar doctrine in patent law as developed in *Morton Salt*,[211] the Fourth Circuit reasoned that in patent law, a court may find that a plaintiff misused the plaintiff's patent but did not violate the antitrust laws.[212]

Given that the policy concerns in patent law and in copyright law are analogous, the issue remains whether a misuse doctrine, as it has been developed and codified in patent law, should be adopted for use in copyright law, or whether, as the Fourth Circuit suggests, an unrefined copyright misuse doctrine should be recognized. In the absence of a congressionally mandated standard for copyright misuse, the *Lasercomb* court, guided by the policy concerns of copyright, adopted the proper approach to misuse by recognizing a misuse standard that courts should apply whenever a plaintiff has extended his copyright.[213] Though the concept of "extension" is vague,[214] the copyright law, to be effective, must require that courts determine misuse through a public policy "extension" standard.[215]

The similar policy concerns of patent and copyright support recognition of a copyright misuse defense.[216] The scope of this defense, however, should not be limited either by an antitrust standard or by the statutory development of patent misuse.[217] Instead, the scope of the copyright misuse defense should extend to the point where the copyright owner has extended the copyright beyond the grant and, therefore, has subverted public policy.[218]

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208. *See supra* notes 145, 153 and accompanying text (noting *Lasercomb* court's discussion of Supreme Court's comparison of patent and copyright, and also noting *Lasercomb* court's application of *Morton Salt* rationale to copyright).

209. *See* notes 97-115 and accompanying text (discussing cases in which courts concluded that finding of misuse must be supported by antitrust violation).

210. Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 978 (4th Cir. 1990); *see* National Cable Television Ass'n v. Broadcast Music, Inc., 772 F. Supp. 614, 652 (D.D.C 1991) (citing *Lasercomb* for proposition that antitrust violation is not necessary to finding of copyright misuse).

211. *Lasercomb*, 911 F.2d at 976.

212. *See* D.S. CHISUM, *supra* note 36, at § 19.04 [2] (noting that antitrust violation will constitute misuse but misuse does not have to be antitrust violation).

213. *See supra* notes 80-83 and accompanying text (introducing monopoly extension standard).

214. *See* D.S. CHISUM, *supra* note 36, at § 19.04 [2] (describing "extension" concept of patent misuse as vague).

215. *See supra* notes 125-129 and accompanying text (discussing public policy monopoly extension standard).

216. *See supra* note 140-46 and accompanying text (explaining basic similarity between policy underlying patent and policy underlying copyright).

217. *See supra* notes 38-42, 185-200 and accompanying text (explaining that antitrust standard is not suited to protect copyright policy, and discussing legislative history of patent misuse which indicates that new patent misuse law should not affect copyright law).

218. *See* Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 978 (4th Cir. 1990)

If Congress determines that this scope permits too broad a defense, then Congress may codify a narrower standard as it did for patent law. This legislative alternative of codifying copyright misuse is desirable because codification would provide solid support for the copyright misuse doctrine in addition to providing a uniform standard for its application. As one commentator warned, if the legislature does not act, the courts, as in *Lasercomb*, certainly will,[219] with the possible results of differing definitions as to the scope of the defense and, perhaps, differing views on whether the doctrine in fact exists.[220]

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(concluding that copyright owner misuses copyright by violating public policy embodied in copyright).

219. *See* Susman, *supra* note 15, at 322 (noting that courts will shape copyright misuse defense if Congress does not).

220. *Compare* Rural Tel. Serv. Co. v. Feist Publications, Inc., 663 F. Supp. 214, 220 (D. Kan 1987) (rejecting copyright misuse doctrine), *aff'd*, 916 F.2d 718 (10th Cir. 1990), *rev'd on other grounds*, 111 S. Ct. 1282 (1991) *with* Broadcast Music, Inc. v. Hearst/ABC Viacom Entertainment Servs., 746 F. Supp. 320, 328 (S.D.N.Y. 1990) (recognizing that copyright misuse defense may exist).