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Divorcing Public Policy from Economic Reality: The Fourth Circuit's Copyright Misuse Doctrine in *Lasercomb*

*America, Inc. v. Reynolds*

For much of this century the United States Supreme Court has considered the grant of a patent to be a public benefit that its owner may not misuse. Doing so deprives the patentee of the right to enforce an infringement claim. A debate exists among lower federal courts and commentators, however, regarding the type of conduct sufficiently abusive to constitute misuse. Must the patentee use the patent to violate the antitrust laws? Or must the patentee merely extend the scope of the patent beyond the statute's permissible bounds, an act the courts consider contrary to public policy? In like fashion, lower courts and commen-

1. A patent is a statutory grant that offers the patentee the exclusive right to make, use, or sell his invention for 17 years. 35 U.S.C. § 154 (1988). Under the Patent Act, the law considers the patent to be personal property. *Id.* § 261. The grant of a patent primarily benefits society: by offering the patentee a limited monopoly in exchange for an early disclosure of his invention, society gains the benefit of knowledge that might otherwise be shrouded from view as a trade secret. *See* SCM Corp. v. Xerox Corp., 645 F.2d 1195, 1203 (2d Cir. 1981); 8 E. Lipscomb, *LIPSComB's Walker on Patents* § 28:2 (3d ed. 1989) [hereinafter WALKER ON PATENTS]. For further consideration of the patent law's procompetitive policy, *see infra* note 149.

Inventors seeking to patent their inventions must meet several statutory requirements. The threshold requirement is that the invention be useful. 35 U.S.C. § 101 (1988). The patent laws also require "novelty"—the inventor must be the first to invent or discover the device. *Id.* § 102(g). The law charges the inventor with constructive knowledge of all prior references to relevant technological developments. *Id.* § 102(a). If another discovery "anticipated" the invention, no patent will issue. Thus, to be patentable the invention must be sufficiently new and different from what came before it; or in the argot of the Patent Act, the invention must be "nonobvious." *Id.* § 103. The Patent Office requires an applicant to demonstrate that her invention meets all requirements and carefully scrutinizes each invention before issuing a patent. The Patent Act also establishes procedures for the mediation of competing claims. *See id.* §§ 131-35, 141-46. For the statutory requirements for a valid copyright *see infra* note 6.


3. *See* USM Corp. v. SPS Technologies, Inc., 694 F.2d 505, 511 (7th Cir. 1982) ("Since the antitrust laws as currently interpreted reach every practice that could impair competition substantially, it is not easy to define a separate role for a doctrine also designed to prevent an anticompetitive practice—the abuse of a patent monopoly."); G.S. Suppiger Co. v. Morton Salt Co., 117 F.2d 968, 970 (7th Cir. 1941) ("[A] patentee is not handicapped in his commercial transactions because he owns a patent. What he could lawfully do before he acquired the patent, he may lawfully do after acquirement."); rev'd, 314 U.S. 488 (1942); *see also* 4 D. Chisum, *PATENTS* § 19.04[2] (1990) ("The misuse doctrine presents greater analytical problems than antitrust analysis . . . [which] involves a balancing of patent interests and the impact or likely impact of a practice on competition. The misuse doctrine compounds the difficulty of balancing by substituting for competitive injury the vague notion of "extension.""").

The Patent Act recognizes patent misuse, but only a narrow field of patentee conduct rises to the level of an antitrust violation to constitute misuse. *See* 35 U.S.C. § 271(d)(5) (1988), quoted *infra* at note 76. In the converse situation, where a patentee is charged with violating the antitrust laws, the Patent Act states that nothing in the patent laws "shall be deemed to convey to any person immunity from civil or criminal liability, or to create any defenses to actions, under any antitrust law." *Id.* § 211.

4. Morton Salt, 314 U.S. at 494; Panther Pumps & Equip. Co. v. Hydrocraft, Inc., 468 F.2d 225, 231 (7th Cir. 1972) ("The policy underlying the misuse doctrine is designed to prevent a patentee from projecting the economic effect of his admittedly valid grant beyond the limits of his legal monopoly."); *see* Calkins, *Patent Law: The Impact of the 1988 Patent Misuse Reform Act and Noerr-Pennington Doctrine on Misuse Defenses and Antitrust Counterclaims*, 38 Drake L. Rev. 175, 178-
tators have differed over whether these same principles should apply to another limited monopoly, the copyright. The Supreme Court has implied that copyright misuse might be a valid defense, but it has not suggested what types of misbehavior will bar an infringement claim.

In *Lasercomb America, Inc. v. Reynolds* the United States Court of Appeals for the Fourth Circuit became the first appellate court expressly to sanction copyright misuse as an infringement defense and to hold that such misuse barred the plaintiff's action. The Fourth Circuit refused to import antitrust requirements into the misuse doctrine; instead, the copyright holder's anticompetitive behavior towards a third party was deemed sufficiently contrary to pub-


6. Like patents, copyrights offer rewards to individuals as an inducement to generate an increased number of unique expressions that benefit the general public. Sony Corp. v. Universal City Studios, 464 U.S. 417, 431-32 (1984). Despite the theoretical similarities, however, copyrights differ in practical ways from patents.

A copyright is a limited monopoly granted to a work satisfying two criteria: The work must be "original" in that it is the independent effort of the author seeking the copyright, and the work must be fixed in a tangible medium. 17 U.S.C. § 102(a) (1988). For works created on or after January 1, 1978 the copyright endures for the life of the author and fifty years after the author's death. Id. § 302(a). The copyright grants certain exclusive rights in the protected work, including the right to reproduce the work, prepare derivative works, distribute copies to the public (by sale, rental, lease, or lending), and perform or display the work publicly. Id. § 106. Protection from unauthorized copying extends only to the particular expressions originating with the author; it does not protect the ideas that are part of the copyrighted work. Mazer v. Stein, 347 U.S. 201, 217 (1954); 17 U.S.C. § 102(b).

There are two significant exceptions to a copyright grantee's claim of exclusivity. Unlike patents, the grantee need not be the first to create the unique expression. The alleged infringer's independent creation of an identical work is a defense to an infringement action. Mazer, 347 U.S. at 218. In addition, the Copyright Act provides that the unauthorized copying done pursuant to a "fair use," typically for nonprofit educational purposes, is not an infringement. 17 U.S.C. § 107 (1988). No analogous provision exists in patent law.

Finally, the standards for securing a copyright are far less severe than are patent standards, and copyrights are not subject to rigorous evaluations. For a useful comparison of the levels of protection afforded by patents and copyrights, see Alfred Bell & Co. v. Catalda Fine Arts, Inc., 191 F.2d 99, 100-04 (2d Cir. 1951). See supra note 1 for a discussion of the practical and theoretical underpinnings of a patent.


8. 911 F.2d 970 (4th Cir. 1990). Lasercomb chose not to petition for certiorari because it felt the added cost of litigation was not justified because "Interact," Lasercomb's copyrighted software program, had become obsolete and because Lasercomb "purged" its misuse by discontinuing the use of the noncompete clause in its standard licensing agreement. Telephone interview with Lee Bromberg, counsel for Lasercomb America, Inc. (Jan. 21, 1991). For a discussion of how a grantee may purge its misuse see *infra* notes 62-64 and accompanying text.

9. Lasercomb, 911 F.2d at 979. In 1948 one district court did deny the plaintiff-copyright holder's action to enjoin infringement on the grounds that the plaintiff used its copyright to gain monopolistic domination over musical compositions and therefore exceeded the privileges protected under the copyright laws. M. Witmark & Sons v. Jensen, 80 F. Supp. 843, 849-50 (D. Minn. 1948), appeal dismissed sub nom. M. Witmark & Sons v. Berger Amusement Co., 177 F.2d 515 (8th Cir. 1949). For a discussion of *Jensen see infra* notes 84-93 & 166-69 and accompanying texts.
lic policy to deny relief.10

This Note traces the development of equitable defenses in the field of limited monopolies, from the origin of the “unclean hands” doctrine through the parallel evolutions of patent and copyright misuse. It explores the underlying policy justifications for granting limited monopolies and compares the varying amounts of protection afforded to grantees. The Note examines the role that antitrust principles have played in the misuse doctrine and concludes that the Fourth Circuit incorrectly rejected those principles as a foundation for copyright misuse. The Note maintains that the Fourth Circuit’s embrace of the “public policy” rationale creates a standard too ambiguous to guide those who seek to exploit their property rights without losing the protection of the law.

Lasercomb America, Inc. created a computer software program called “Interact,” which companies use to design and manufacture steel rule dies for the paper box and carton industries.11 Lasercomb also manufactures steel rule dies, as did its competitor, Holiday Steel Rule Die Corporation.12 In 1983, before it was ready to put its software on the market, Lasercomb licensed four prerelease copies of Interact to Holiday Steel under an oral agreement.13 Each Interact copy contained a “chronoguard,” an antitheft device that allowed Interact to work only on those machines to which it was attached.14 Larry Holliday, Holiday Steel’s president and sole shareholder, ordered his computer programmer, Job Reynolds, to remove the chronoguards and to make three copies of Interact.15 Holiday Steel then began marketing a CAD/CAM program called PDS-1000, which essentially was Interact under a new name.16

Once Lasercomb discovered what Holiday Steel had done, it registered the copyright17 for Interact and sued for copyright infringement.18 Defendants

10. Lasercomb, 911 F.2d at 979. For a discussion of violations of the antitrust laws, see infra note 113.
11. Lasercomb, 911 F.2d at 971. Companies use Interact for CAD/CAM (computer assisted design and computer assisted manufacture). Id. at n.2. Interact permits a box designer to create a “box blank”—a flat paperboard sheet that is cut so that it may be folded into a box. An Interact-controlled computer stores information about the prototype box blank, and a die maker can use that information to control the manufacture of a steel rule die. The die then stamps out quantities of box blanks. Opening Brief for Appellant at 4-5, Lasercomb (No. 89-3245).
12. Lasercomb, 911 F.2d at 971.
13. Although Lasercomb had asked Holiday Steel to sign its standard licensing agreement, Holiday Steel never signed, and Lasercomb never demanded compliance. Id. at 973. Later, however, Holiday admitted in a letter that an oral agreement with Lasercomb bound Holiday Steel. Id. at 973 n.7. Lasercomb charged Holiday Steel $35,000 for the first copy, $17,500 for the next two, and $2,000 for the fourth copy. Id. at 971.
15. Lasercomb, 911 F.2d at 971.
16. Id.
17. Registering the work with the Copyright Office is a prerequisite for filing an infringement action. 17 U.S.C. § 411 (1988). For works published before March 1, 1989 the author has five years from the date of publication to register the work to preserve the copyright. Id. § 405(a). The Copyright Act protects computer software as a “literary work,” defined as “a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.” Id. § 101. The Act limits the grantee’s exclusive rights by permitting certain noninfringing uses. For example, the owner of a copy of a computer program may make another copy freely, if the new copy “is created as an essential step in the utilization of the computer program in conjunction with a machine” or “is for archival purposes only.” Id. § 117.
Holiday Steel, Holliday, and Reynolds claimed that Lasercomb misused its copyright because of anticompetitive clauses in Lasercomb's standard licensing contract, clauses that restricted a licensee from creating its own computer-assisted die-making software. The district court rejected the copyright misuse defense for three reasons. First, although another Interact licensee was bound by the anticompetitive clauses, the defendants had not explicitly agreed to them, and therefore had not suffered from the misuse. Second, the clause was "reasonable in light of the delicate and sensitive area of computer software." Finally, the court doubted whether such a defense existed as a matter of law. The trial court found the three defendants jointly and severally liable for actual damages on both the copyright infringement and fraud claims, awarded punitive damages against Holliday and Reynolds on the fraud claim, and permanently enjoined all defendants from making or selling PDS-1000.

The United States Court of Appeals for the Fourth Circuit reversed the injunction and the damage award for copyright infringement, affirmed the trial court's finding of fraud, and remanded the case to the district court for recalculation of the damages. In doing so, the Fourth Circuit acknowledged that

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18. Lasercomb, 911 F.2d at 972. Lasercomb also claimed breach of contract and fraud. Id. The trial court dismissed Lasercomb's claims for misappropriation of trade secret, false designation of origin, and unfair competition because the Copyright Act preempted them. Id.

19. Id. The clauses at issue in the Lasercomb licensing agreement read:

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. at 973. The term of the licensing agreement was for 99 years. Id.

20. Id. Holiday Steel never signed the standard licensing agreement but was bound under an oral contract. See supra note 13.

21. Lasercomb, 911 F.2d at 973 (quoting the trial court's findings).

22. Id.

23. Id. at 972. The trial court found that "the evidence at trial clearly disclosed not only defendants' liability as copyright infringers, it also indicated their culpability . . . [as] malicious infringers who acted with full knowledge of and gross disregard to plaintiff's right." Brief of Plaintiff-Appellee at 3-6 (quoting trial court's findings) (emphasis in Brief). Following the judgment against it, Holiday Steel went bankrupt and the bankrupt estate stipulated it would not appeal. Id. at 3 n.2.

24. Lasercomb, 911 F.2d at 979.

25. Id. at 980.

26. Id. The trial court found that Lasercomb had suffered damages of $105,000 from the infringement and another $105,000 from the fraud. The damages arose, however, from lost sales of the same copies of Interact; Lasercomb, therefore, could not recover twice. Id. at 972 n.3. The court based the $105,000 damages amount on Interact's sale price of $35,000 to first-time buyers, multiplied by three—the number of unauthorized copies defendants made of Interact. Id. at 980. The Fourth Circuit, in contrast, noted that it could only measure damages by lost sales to Holiday Steel, which was receiving a discount for additional purchases of Interact. Id. at 981. It was up to the district court on remand to decide whether the defendants' fraudulent activities induced Lasercomb to discount its price. Id.
the copyright misuse defense was far from being a settled area of the law, but considered the defense to be "inherent in the law of copyright."28

The touchstone of the court's analysis was the body of patent law that produced the patent misuse defense and the parallel public policies behind patent and copyright law. After discussing the seventeenth century English Crown's practice of granting limited monopolies,29 the court found that the Federal Constitution's grouping of patent and copyright into the same clause reflected "a unitary purpose—to promote progress."30 The court then examined a seminal patent misuse case, Morton Salt Co. v. G.S. Suppiger Co., and found that its "phraseology adapts easily to the copyright context."32 The result of that easy adaptation is that public policy excludes from protection all that is not embraced by the copyright and forbids the use of a copyright to secure rights not granted by the Copyright Office.33

The Lasercomb panel next considered whether copyright misuse depends on antitrust principles. The trial court deemed Lasercomb's noncompete clause to be "reasonable," a notion that the Fourth Circuit assumed was derived from the antitrust concept of the "rule of reason."34 While stating that an antitrust

27. For a discussion of the Fourth Circuit's discomfort with the apparent lack of certainty surrounding the copyright misuse doctrine, see infra note 144.
28. Lasercomb, 911 F.2d at 973.
29. Id. at 974.
30. Id. at 975. The Constitution provides that "[t]he Congress shall have Power . . . [t]o 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.

The Supreme Court has noted the "historic kinship between patent law and copyright law," but also has warned that "[t]he two areas of the law, naturally, are not identical twins, and we exercise the caution which we have expressed in the past in applying doctrine formulated in one area to the other." Sony Corp. v. Universal City Studios, 464 U.S. 417, 439 & n.19. (1984). Despite that warning, however, the Court in Sony Corp. readily applied the doctrine of contributory infringement to copyrights. The Court noted that the Patent Act expressly defines this concept but the Copyright Act does not. Id. at 434-35. Such a doctrine, the Court concluded, was necessary to provide "effective . . . protection of the statutory monopoly" when a defendant sells copying equipment that is capable only of substantial infringing uses. Id. at 442. The Court found that, although the general public was using video recorders sold by Sony to tape the plaintiffs' copyrighted motion pictures, Sony was not liable for contributory infringement because its video recorders were also capable of substantial noninfringing uses. Id. at 456.

31. 314 U.S. 488 (1942). The Fourth Circuit noted that although Morton Salt was not the first Supreme Court case to recognize the patent misuse defense, it is generally considered the "foundational" case. Lasercomb, 911 F.2d at 976. For a discussion of Morton Salt, see infra notes 49-68 and accompanying text.
32. Lasercomb, 911 F.2d at 977. The Fourth Circuit quoted a passage from Morton Salt and replaced patent terms and phrases with those applicable to copyright. The Fourth Circuit thus found:

"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. (quoting Morton Salt, 314 U.S. at 492) (bracketed material added by the Lasercomb court).
33. Id. See supra note 6 for a discussion of the rights protected under the copyright laws.
34. Lasercomb, 911 F.2d at 977. Although the Sherman Act forbids "every contract . . . in restraint of trade," 15 U.S.C. § 1 (1988), courts interpret this language to mean that only those
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violation would trigger the copyright misuse defense, the Fourth Circuit held that an antitrust violation is not a prerequisite to barring an infringement action. Instead, any attempt to use a copyright "to control competition in an area outside the copyright, i.e. the idea of computer-assisted die manufacture," would give rise to misuse "regardless of whether such conduct amounts to an antitrust violation." The Fourth Circuit reached its conclusion because Morton Salt did not require an antitrust violation to apply the patent misuse defense. In rejecting the copyright misuse defense, the district court had emphasized that the defendants had not explicitly agreed to the noncompete clause, and therefore could not claim injury from the alleged misuse in order to bar the infringement action against them. The Fourth Circuit, however, relied on the venerable Morton Salt decision to conclude that the copyright misuse defense is applicable even though the infringing parties did not themselves suffer injuries from the misuse.

Copyright misuse cases such as Lasercomb are the culmination of complex, intertwined conceptions of unclean hands, rights under the patent and copyright laws, and antitrust principles. Some cases rest the copyright misuse defense solely on antitrust principles, while others deny that an antitrust violation can provide an affirmative defense to infringement. Still others, like Lasercomb, find that an antitrust violation, while not a prerequisite, may trigger a misuse contracts that unreasonably restrain trade are illegal. W. HOLMES, INTELLECTUAL PROPERTY AND ANTITRUST LAW § 5.01[2] (1990). See infra note 113 for a discussion of the antitrust rule of reason. For a discussion of the noncompete clause's purported reasonableness, see infra note 175.

35. Lasercomb, 911 F.2d at 979. The Lasercomb panel described the noncompete clause as containing language that was "extremely broad," and found it to be "at least as egregious" as similar language in a patent licensing agreement that the Fourth Circuit had declared to be a patent misuse. Id. at 978-79 (citing Compton v. Metal Prod., Inc., 453 F.2d 38, 45 (4th Cir. 1971), cert. denied, 406 U.S. 968 (1972)). For a discussion of Compton and other cases involving noncompete clauses, see infra note 175.

Although the Fourth Circuit found that the noncompete clause constituted copyright misuse, it rejected the defendants' claim that Lasercomb created an illegal "tying" arrangement by discounting Interact's price for those licenses who also purchased steel rule dies from Lasercomb. Lasercomb, 911 F.2d at 972 n.6. Because Lasercomb did not require a buyer to purchase Interact or steel rule dies when buying the other product, or require its customers to agree not to purchase goods from other sellers, the court found no tie-in. Id. A tying arrangement is one in which a seller requires that a purchaser buy one item (the tied product) to buy another (the tying product). See Northern Pac. Ry. v. United States, 356 U.S. 1, 5-6 & n.4 (1958).

36. Lasercomb, 911 F.2d at 978. For a discussion of the unified economic theory behind patent and antitrust law, see infra note 149.

37. Id.

38. Id.

39. Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191, 1200 (7th Cir. 1987); see also Alfred Bell & Co. v. Catalda Fine Arts, Inc., 191 F.2d 99, 106 (2d Cir. 1951) (balancing the equities between harm caused by copyright owner's alleged antitrust violation and infringer's culpability).

The animating principle behind denying relief from infringement is equitable in nature; a court will not render assistance to a party coming into court with unclean hands. The unclean hands doctrine bars legal or equitable relief to a plaintiff who has harmed the defendant in a way that bears directly on the matter in controversy. In *Keystone Driller Co. v. General Excavator Co.* the Supreme Court denied relief in a patent infringement case because the patentee, in an earlier case, had suppressed evidence that would have shown his patent to be invalid. The Court stated that for the doctrine to apply there must be an immediate and necessary relationship between the plaintiff's unconscionable act and the relief sought. Courts have also applied the unclean hands doctrine in copyright infringement actions. One early court, for example, applied the doctrine when the copyright holder's advertisements were false and misleading, thereby causing a public injury egregious enough to bar relief. Subsequent copyright cases disavowed this broad application and confined the equitable defense to "misuses that frustrate the particular purposes of the copyright . . . statute."

In *Morton Salt Co. v. G.S. Suppiger Co.* the Supreme Court modified the unclean hands doctrine, permitting a patent infringer to assert the patent misuse defense even though the patentee's misuse did not harm the infringer. The Court previously had recognized the patent misuse defense only when the infringing party suffered injury by the patentee's attempt to enlarge the scope of

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44. 290 U.S. 240 (1933).

45. *Id.* at 246-47.

46. *Id.* at 245.


48. See, e.g., *Mitchell Bros. Film Group v. Cinema Adult Theater*, 604 F.2d 852, 864 (5th Cir. 1979). The Fifth Circuit, largely repudiating its earlier decision in *Stone & McCarrick*, refused to permit the defendant to assert a "public injury" defense based on the claim that the infringed work was obscene. *Id.* at 865. In limiting *Stone & McCarrick*, the Fifth Circuit contrasted that case with *Morton Salt v. G.S. Suppiger Co.*, 314 U.S. 488 (1942), finding that *Morton Salt* properly required clean hands when the patentee subverted the public policy behind the patent statute. *Id.* at 864.

It is interesting to note, however, that *Morton Salt* itself relied on *Stone & McCarrick* to deny the patentee's infringement claim. *Morton Salt*, 314 U.S. at 494. Seemingly unconcerned about the prior requirement that there be an "immediate and necessary" relationship, the Court in *Morton Salt* justified barring the patentee's claim, even though the infringer had not suffered from the patent misuse, because of "the adverse effect upon the public interest." *Id.* (emphasis added). For a discussion of the Supreme Court's departure from traditional equitable doctrine when confronted with enforcing patent claims, see *infra* note 56 and accompanying text.

the patent privileges. In Morton Salt the plaintiff owned the patent for a canning industry device that inserted measured amounts of salt in tablet form into canned goods. The plaintiff leased its machines but required that licensees purchase salt tablets exclusively from the plaintiff’s subsidiary. The Court denied injunctive relief from the defendant’s patent infringement on the grounds that the patentee was using its patent to restrain competition in the market for salt tablets, an unpatented item, and that continued restraint would permit the patentee to create a limited monopoly not within the scope of the patent grant.

Although the infringer also competed with the patentee in the salt tablet market, the Court considered injury to the public to be of primary importance. The Court recognized that the unclean hands doctrine typically balances the relative misconduct of the parties to the suit, but found that “additional considerations must be taken into account where maintenance of the suit concerns the public interest as well as the private interests of suitors.” Because the patentee derives privileges from a statutory grant enacted to further a public policy, the Court would not protect a patent being used to subvert that policy. The policy has two components: protecting inventions included in the patent while excluding from the patent all that is not embraced by the invention, and forbidding a patentee from using its patent to secure an exclusive privilege that the Patent Office did not grant. To the Court, a successful infringement claim would adversely affect the public interest. That adverse impact, in combination with the misuse, disqualified the patentee from protection regardless of whether the infringer suffered from the patent misuse.

However harsh the patent misuse doctrine may appear, the Court noted that the misuse could be “purged” by abandoning the improper conduct and dissipating the harmful consequences of the misuse. The patent misuse doc-

50. See Carbice Corp. v. American Patents Dev. Corp., 283 U.S. 27, 31-35 (1931) (plaintiff-patenttee denied relief against supplier who sold dry ice to plaintiff’s licensees with the knowledge that the license required dry ice to be purchased only from patentee); Motion Picture Patents Co. v. Universal Film Mfg. Co., 243 U.S. 502, 518-19 (1917) (owner of a patented film projector barred from enforcing license restriction against film distributors when patent license required that only films rented from the patentee’s licensee could be used with the patented projector).
52. Id. at 490-91.
53. Id. at 491.
54. Id.
55. Id. at 493.
56. Id. The Supreme Court later rationalized this change from the traditional unclean hands doctrine through the fiction of joining the public as a party to the suit. Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co., 324 U.S. 806, 816 (1945). Because of the “far-reaching social and economic consequences of a patent,” the public has a “paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope.” Id.
57. Morton Salt, 314 U.S. at 494.
58. Id. at 492.
59. Id.
60. Id. at 494.
61. Id.
trine therefore does not invalidate a patent; the patentee may bring an action for an infringement occurring after the misuse is satisfactorily purged. In fact, a patentee may purge the misuse even after commencing the infringement claim.

In reversing the decision of the Court of Appeals for the Seventh Circuit, the Morton Salt Court found it unnecessary to decide whether the patentee's tying arrangement violated antitrust laws under the Clayton Act. In the Seventh Circuit's view, acquiring a patent does not impose a higher standard of commercial behavior on patentees because the antitrust laws were not designed to "discriminate between patentees and others when it comes to use or sale of unpatented articles." The Supreme Court, however, found that an inquiry into whether the patentee substantially decreased competition or tended to create a monopoly missed the point. Although the patent misuse doctrine is concerned with a patentee's anticompetitive conduct, the proper analysis must be grounded in the patent laws and the public policy behind them.

Morton Salt did not predicate patent misuse on antitrust principles; instead, the Court intimated that antitrust violations may serve as the basis for patent misuse. Subsequently, however, the Court and commentators have muddied the distinction by linking the two concepts. In Mercoid Corp. v. Minneapolis-Honeywell Regulator Co., the Court opined that "[t]he legality of any attempt

63. See Hartford-Empire Co. v. United States, 323 U.S. 386, 419-20 (1945); Westinghouse Elec. Corp. v. Bulldog Elec. Prod. Co., 179 F.2d 139, 145 (4th Cir. 1950); see also WALKER ON PATENTS, supra note 1, § 28:35 ("Improper use does not invest an infringer with a license for the life of the patent, for if a patent owner purges himself of the improper business practices, he may then enforce his patent and recover damages for infringement occurring thereafter.").

64. See Westinghouse Elec., 179 F.2d at 145 ("Since plaintiff here has abandoned any illegal conduct, it is entitled to the protection of the courts and there is no reason why relief should not be afforded in the presently pending litigation.").

65. See supra note 35 for a definition of a tying arrangement. For a discussion of congressional reform of patent misuse based on tying clauses, see infra note 76.

66. Morton Salt, 314 U.S. at 494. Section 3 of the Clayton Act provides that:

[I]t shall be unlawful for any person engaged in commerce... to lease or make a sale or contract for sale of goods... whether patented or unpatented... or fix a price charged therefor, or discount from, or rebate upon, such price, on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use or deal in the goods... or other commodities of a competitor or competitors of the lessor or seller, where the effect... may be to substantially lessen competition or tend to create a monopoly in any line of commerce.


68. Morton Salt, 314 U.S. at 490.

69. See Hartford-Empire Co. v. United States, 323 U.S. 386, 415 (1945) ("[I]f long as the patent owner is using his patent in violation of the antitrust laws, he cannot restrain infringement of it by others."). Indeed, Judge Posner has repeatedly argued that an antitrust violation must be the basis for patent or copyright misuse. See Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191, 1200 (7th Cir. 1987) (copyright misuse); USM Corp. v. SPS Technologies, Inc., 694 F.2d 505, 511-12 (7th Cir. 1982) (patent misuse). See infra notes 77-83 and accompanying text for a discussion of antitrust and nonantitrust violations constituting patent misuse.

70. See, e.g., 3 M. NIMMER & D. NIMMER, NIMMER ON COPYRIGHT § 13.09[A] (1989) (describing patent cases like Morton Salt and Mercoid Corp. v. Minneapolis-Honeywell Regulator Co., 320 U.S. 680 (1944), as holding that "a patentee who uses his patent privilege contrary to the public interest by violating the antitrust laws will be denied the relief of a court of equity in a patent infringement action.").

71. 320 U.S. 680 (1944).
to bring unpatented goods within the protection of the patent is measured by the anti-trust laws not by the patent law. . . . [T]he effort here made to control competition in this unpatented device plainly violates the anti-trust laws." 72 This holding may be interpreted as requiring an antitrust violation as a predicate for patent misuse, but it may be viewed also as a call to permit a patent misuse to be a per se violation of the antitrust laws, without requiring an inquiry into the patentee's market power. 73 Although the Supreme Court implicitly has rejected this concept 74 and reaffirmed its allegiance to Morton Salt's patent misuse doctrine, 75 Congress has recently circumscribed the limits of the patent misuse defense by explicitly requiring courts to employ antitrust principles when the claimed misconduct involves tying arrangements and package licensing. 76 The interplay and tension between limited monopolies and antitrust doctrines is re-

72. Id. at 684. In a companion case, the Court again noted that "the anti-trust acts or other laws not the patent statutes define the public policy." Mercoid Corp., 320 U.S. at 666.

73. Calkins, supra note 4, at 184-85. Market power is a critical component of an antitrust inquiry. If the purported anticompetitive conduct involves a tying arrangement, the court must evaluate whether the defendant-seller has the power, within the market for the tying product, to raise prices or to require purchasers to accept burdensome terms that could not be exacted in a completely competitive market. In short, the question is whether the seller has some advantage not shared by his competitors in the market for the tying product.

United States Steel Corp. v. Fortner Enters., Inc., 429 U.S. 610, 620 (1977) (citation omitted).

74. Zenith Radio Corp. v. Hazeltine Research, Inc., 395 U.S. 100, 140 (1969) ("[I]t does not necessarily follow that the [patent] misuse embodies the ingredients of a violation of either § 1 or § 2 of the Sherman Act, or that a violation threatened Zenith so as to entitle it to an injunction under § 16 of the Clayton Act.").

75. Dawson Chem. Co. v. Rohm & Haas Co., 448 U.S. 176, 221 (1980) (Without importing antitrust principles into patent doctrine, the Court noted that "[t]he policy of free competition runs deep in our law. It underlies both the doctrine of patent misuse and the general principle that the boundary of a patent monopoly is to be limited by the literal scope of the patent claims.").

76. Package licensing may or may not constitute misuse. Two types of package licenses are permissible. One type is when patents "block" each other so that the patents may not be exploited without each infringing the other. A second type is when the patents are "complementary"—i.e., each patent protects a discreet unit within a larger device, making it inefficient, if not impossible, to produce the device without the complementary patents. W. Holmes, supra note 34, at § 22.02. Package licensing may become an illegal tying arrangement when a patentee requires the licensee to take a license on one patent as a condition for the grant of a license on another. See Automatic Radio Mfg. Co. v. Hazeltine Research, Inc., 339 U.S. 827, 830-31 (1952). The 1988 Patent Misuse Reform Act, Pub. L. No. 100-73, tit. II, § 201, 102 Stat. 4676 (1988), amended 35 U.S.C. § 271(d) to read:

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


Although the Lasercomb panel remarked on this change in patent misuse doctrine, Lasercomb, 911 F.2d at 976 & n.15, the court failed to take notice of the strong congressional effort to predicate patent misuse doctrine entirely on antitrust principles in accordance with the view espoused by Judge Posner. See Calkins, supra note 4, at 192-200. Although Congress ultimately did not adopt such a radical departure from existing patent misuse doctrine, Senate leaders gave notice that Congress intends to make more extensive changes in the future. Id. at 197-200. Under existing federal trademark law, the trademark owner's present or past use of the trademark to violate the antitrust laws is a defense to an infringement action. 15 U.S.C. § 1115 (1988).
flected by the broad scope of what may constitute patent misuse, including agreements not to deal in competing goods, royalties based on total sales, price fixing, tying arrangements, package licensing, and field-of-use restrictions.

The admixture of antitrust standards and policy-based misuse doctrine frequently spills over into the area of copyright law. The Supreme Court has never expressly declared the copyright misuse defense to be legitimate. This failure may explain why the lower courts, with one exception prior to Lasercomb, have not rushed to transplant Morton Salt's misuse defense into copyright doctrine.

In M. Witmark & Sons v. Jensen a Federal district court, relying on Morton Salt, denied injunctive relief because of the copyright owners' anticompetitive conduct. The Jensen plaintiffs owned copyrighted musical works and belonged to the American Society of Composers, Authors and Publishers (ASCAP). Through ASCAP the plaintiffs licensed to motion picture producers "synchronization rights"—the right to record plaintiffs' musical compositions onto the soundtracks of certain motion pictures. The plaintiffs' licensing agreement did not include the right to perform publicly the compositions. The plaintiffs claimed that defendant motion picture theater operators infringed by showing films containing the copyrighted musical works without first obtaining a license to perform the music. Although theater operators may bargain with individual copyright owners for a performance license, for practical reasons they have no real choice but to take a "blanket license" through a performance soci-

77. See Calkins, supra note 4, at 187 n.38 (for a discussion of various patent misuses). See generally 4 D. Chisum, supra note 3, § 19.04[3][a]-[l] (comprehensive discussion of various patent misuses).


79. Although coercing a licensee to pay royalties based on total sales constitutes misuse, Zenith Radio Corp. v. Hazeltine Research, Inc., 395 U.S. 100, 138 (1969), the patentee and its licensee may agree to the arrangement if it is convenient for the parties to collect royalties in such a way. Automatic Radio, 339 U.S. at 834.


82. Automatic Radio, 339 U.S. at 830-31; see supra note 76 for a definition of package licensing.

83. A patentee may restrict a licensee to make or use the patent only in a particular field. Walker on Patents, supra note 1, § 28:17. It is patent misuse, however, to demand such a restriction after the first sale. General Talking Picture Corp. v. Western Elec. Co., 304 U.S. 175, 181-82, aff'd on rehearing, 305 U.S. 124 (1938).


85. Id. at 850. Later, the Fourth Circuit cited Jensen as the only "case which has actually applied copyright misuse to bar an action for infringement." Lasercomb, 911 F.2d at 976.

86. Jensen, 80 F. Supp. at 844.

87. Id.

88. Id.
The Jensen court agreed with defendants that the consequence of ASCAP's licensing practices created the economic power to coerce theater owners into taking blanket performance licenses, giving the plaintiffs' advantages far greater than those enjoyed by a single copyright owner. Although the court found that the copyright owners violated the antitrust laws, it was more concerned with the practice of using a copyright to expand illegitimately the rights granted under the copyright laws to the detriment of the public interest. The court concluded that it was unnecessary to decide whether antitrust violations alone would constitute copyright misuse barring the plaintiffs' infringement claim.

The law of antitrust-based copyright misuse is much more developed, although highly fractured. Due to mixed signals from the Supreme Court, two mutually exclusive doctrines have evolved. One doctrine permits an antitrust-based copyright misuse defense as a result of the Court's linking antitrust violations to the improper enlargement of the copyright monopoly. The other forbids that type of copyright misuse defense because of the Court's prohibition against "collateral" antitrust defenses.

In United States v. Paramount Pictures, Inc. the Supreme Court implicitly recognized the copyright misuse defense and hinted that antitrust analysis ought to play a role in considering whether a grantee has misused its copyright. The Court found that defendant motion picture distributors' practice of "block-booking" violated the antitrust laws. In citing Morton Salt, however, the court also remarked that the practice improperly enlarged what the copyright

89. Rather than deal with multitudes of copyright owners, the blanket licensee pays an annual fee to ASCAP and in exchange receives the right to perform all the musical works authorized to ASCAP, regardless of whether the licensee needs or desires all the works in the ASCAP catalogue. Id. at 845. When the performance licensee pays ASCAP, that association distributes the royalties to ASCAP members based upon a formula it has devised. Id. at 846.

90. Id. at 847. The court noted that the licensing scheme gave ASCAP members a monopoly of "80% of all of the music recorded in motion picture films." Id.

91. Id. at 850.

92. Id.


94. See Broadcast Music, Inc v. Hearst/ABC Viacom Entertainment Servs., 746 F. Supp. 320, 328 (S.D.N.Y. 1990) (describing copyright misuse defense as "ill-received" by lower courts, typically either rejected out of hand, or if recognized, finding misuse defense inapplicable on the facts).

95. See infra notes 97-123 and accompanying text.

96. An antitrust violation may be collateral when the contract in restraint of trade is not the subject matter of the suit. Defendants have asserted, without much success, that the courts should not permit a plaintiff in violation of the antitrust laws to enforce a claim for breach of contract, even though the disputed contract did not form the basis for the antitrust violation. See, e.g., Kelly v. Kosuga, 358 U.S. 516, 518-21 (1959). For a discussion of the judicial treatment given to collateral antitrust defenses, see infra notes 124-35 and accompanying text.

97. 334 U.S. 131 (1948).

98. Block-booking is a motion picture tying arrangement in which distributors license films "on condition that the exhibitor will also license another feature or group of features released by the distributors during a given period." Id. at 156.

99. Id. at 159.
In United States v. Loew's, Inc. the Supreme Court again addressed the practice of block-booking films, but this time to television stations rather than movie theaters. The Court found that the practice violated section 1 of the Sherman Act, and that for tying arrangements the law requires that the seller have "sufficient economic power with respect to the tying product to appreciably restrain free competition in the market for the tied product." The Court rejected defendants' attempt to distinguish Paramount Pictures on the grounds that, because television stations rely on films only for a small fraction of their programming, the defendants lacked sufficient economic power. The Court responded that when the tying product is patented or copyrighted the "requisite economic power is presumed." Therefore, the court held that compelling a licensee to take unwanted films as a condition for the desired license is illegal, and the copyright monopoly must be strictly confined by the antitrust laws. Because the case involved a government suit brought under the antitrust laws, rather than a claim for copyright infringement, the Court did not need to decide whether a copyright misuse defense existed. The Court's specific reference to the patent misuse defense, however, in conjunction with its uniform application of the antitrust laws to both patents and copyrights, suggests that the Loew's Court tacitly approved of a copyright misuse defense.

In Broadcast Music, Inc. v. Columbia Broadcasting System the Supreme Court gave the lower courts further reason to believe that antitrust violations can trigger the copyright misuse defense. Columbia Broadcasting System (CBS)
sued Broadcast Music, Inc. (BMI) and ASCAP claiming that the performance societies' blanket licensing of copyrighted musical works amounted to price fixing and was per se illegal under the antitrust laws.\textsuperscript{110} CBS also asked for a declaratory judgment that BMI and ASCAP were misusing their copyright.\textsuperscript{111}

The Court reversed both the Second Circuit's finding that the blanket licensing was illegal per se under the antitrust laws and the copyright misuse judgment that the trial court had predicated on an antitrust violation.\textsuperscript{112} The Court remanded to the lower court for an assessment of the claim under the antitrust rule of reason.\textsuperscript{113} Writing for the Court, Justice White stated:

> Although the copyright laws confer no rights on copyright owners to fix prices among themselves or otherwise to violate the antitrust laws, we would not expect that any market arrangements reasonably necessary to effectuate the rights that are granted would be deemed a \textit{per se} violation of the Sherman Act.\textsuperscript{114}

The implication, therefore, is quite strong that the Court not only recognized that the copyright misuse defense exists, but that the antitrust laws are the proper measurement of copyright misuse.\textsuperscript{115} This implied approval, in both

\begin{itemize}
  \item \textsuperscript{110} \textit{Id.} at 6.
  \item \textsuperscript{112} broadcast Music, 441 U.S. at 24.
  \item \textsuperscript{113} \textit{Id.} at 24-25. Under the rule of reason an agreement unreasonably restrains trade if, under all the facts and circumstances, its anticompetitive effects outweigh its procompetitive effects. \textit{See} National Soc'y of Professional Eng'rs v. United States, 435 U.S. 679, 692 (1978); J. VAN CISE, W. LIFLAND \& L. SORKIN, \textit{UNDERSTANDING THE ANTITRUST LAWS} 35 (9th ed. 1986). This factual inquiry has its limits in that "the Rule does not open the field of antitrust inquiry to any argument in favor of a challenged restraint that may fall within the realm of reason. Instead, it focuses directly on the challenged restraint's impact on competitive conditions." \textit{Professional Eng'rs}, 435 U.S. at 688.

Agreements that are illegal per se are those "whose nature and necessary effect are so plainly anticompetitive that no elaborate study of the industry is needed to establish their illegality." \textit{Id.} at 692. The law has deemed certain practices facially anticompetitive: price fixing, tying arrangements, agreements between competitors to divide markets, boycotts, pooling profits, and bans on competitive bidding. J. VAN CISE, W. LIFLAND \& L. SORKIN, \textit{ supra}, at 116. Before courts will find that the challenged trade practice is presumptively illegal, the courts require proof that the practice creates adverse economic effects in light of judicial experience that "the practice is of a type that will always or almost always tend to restrict competition." W. HOLMES, \textit{ supra} note 34, \textit{§} 5.01[2] (quoting broadcast Music, 441 U.S. at 19-20).

A defendant may rebut the presumption of illegality by two methods: (1) Showing that the restraint is essential to allow the product to become available; if so, then the restraint is scrutinized under the rule of reason and will be upheld if the restraint's potential for anticompetitive effects is never realized and the purpose for the restraint is lawful; (2) If the restraint does not involve price, the restraining party does not have market power, and the restraint is "reasonably ancillary to efficiency in competition." J. VAN CISE, W. LIFLAND \& L. SORKIN, \textit{ supra}, at 118-19.

\item \textsuperscript{114} Broadcast Music, 441 U.S. at 19 (emphasis in original).

\item \textsuperscript{115} Several commentators support this view. \textit{See}, e.g., W. HOLMES, \textit{ supra} note 34, \textit{§} 4.09; Comment, \textit{Copyright Misuse and Cable Television: Orth-O-Vision, Inc. v. Home Box Office, 35 Fed. Comm. L.J. 347, 360 (1980) ("The Court agreed that the limits of the copyright grant are defined by the antitrust laws."); Note, \textit{ supra} note 5, at 1305; Note, Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.: The Copyright Misuse Doctrine, 15 New. Eng. L.J. 683, 693 (1980) ("The Court appears to be endorsing a copyright misuse doctrine which is analogous to the patent misuse doctrine and requires no analysis of copyright policy.").

This viewpoint is not universally shared. \textit{See}, e.g., Phelan, \textit{The Continuing Battle with the Performing Rights Societies: The Per Se Rule, the Rule of Reason Standard and Copyright Misuse}, 15
Broadcast Music and Loew's, has influenced several lower courts in their finding of copyright misuse predicated on antitrust illegality.\textsuperscript{116}

The Seventh Circuit, and Judge Posner in particular, has accepted the Supreme Court's apparent invitation to permit a copyright misuse defense, but only if predicated exclusively on antitrust violations. In \textit{Saturday Evening Post Co. v. Rumbleseat Press, Inc.}\textsuperscript{117} the plaintiff-licensor sued its licensee for breach of the copyright licensing agreement. The agreement contained a clause stating that the licensee would not dispute the validity of any copyrights the licensor may have obtained.\textsuperscript{118} The licensee argued that the no-contest clause violated the public policy of the Copyright Act and therefore was unenforceable.\textsuperscript{119} The Seventh Circuit responded that no-contest clauses in copyright licenses are valid unless they violate the antitrust laws.\textsuperscript{120} The court cited a previous Seventh Circuit patent misuse opinion for its reasoning:

"If misuse claims are not tested by conventional antitrust principles, by what principles shall they be tested? Our law is not rich in alternative concepts of monopolistic abuse; and it is rather late in the day to try to develop one without in the process subjecting patent holders to debilitating uncertainty."\textsuperscript{121}

The court stated that this reasoning was even more persuasive regarding

\textsuperscript{\textsuperscript{}116} See United Tel. Co. v. Johnson Publishing Co., 855 F.2d 604, 612 (8th Cir. 1988) (recognizing the concept of antitrust-based copyright misuse, but finding no antitrust violation in this case); \textit{Saturday Evening Post Co. v. Rumbleseat Press, Inc.}, 816 F.2d 1191, 1200 (7th Cir. 1987) (holding that a no-contest clause in a copyright licensing agreement is valid unless violative of antitrust law); \textit{Broadcast Music, Inc. v. Hearsi/ABC Viacom Entertainment Servs.}, 746 F. Supp. 320, 327-28 (S.D.N.Y. 1990) (recognizing that an affirmative defense of copyright misuse is cognizable following a finding that defendant pleaded a colorable monopolization counterclaim); F.E.L. Publications, Ltd. v. Catholic Bishop, 506 F. Supp. 1127, 1136 (N.D. Ill. 1981) (tying arrangement held to be a per se Sherman Act violation and therefore a misuse of plaintiff's copyright), \textit{rev'd}, 214 U.S.P.Q. (BNA) 409, 413 n.9 (7th Cir. 1982) (reversing the district court's finding of a per se Sherman Act violation, but noting that copyright misuse is an equitable defense that requires a balancing of equities); \textit{Broadcast Music, Inc. v. Moor-Law, Inc.}, 484 F. Supp. 357, 364-65 (D. Del. 1980) (denying plaintiff-copyright holder's motion for summary judgment against allegedly infringing defendant's copyright misuse defense and antitrust counterclaim on grounds that a factual question existed whether plaintiff's conduct violated antitrust rule of reason); Edward B. Marks Music Corp. v. Colorado Magnetics, Inc., 357 F. Supp. 280, 287 (W.D. Okla. 1973) (plaintiff's antitrust violations constituted copyright misuse, rendering copyright unenforceable), \textit{rev'd}, 497 F.2d 285, 290 (10th Cir. 1974) (assuming that antitrust violations are copyright misuse, no basis to support finding of antitrust violations), \textit{cert. denid}, 419 U.S. 1120 (1975).

\textsuperscript{\textsuperscript{}117} 816 F.2d 1191 (7th Cir. 1987). The plaintiff magazine licensed to the defendant the right to manufacture porcelain dolls based on Norman Rockwell illustrations. \textit{Id.} at 1193. Although the license was denied, the Saturday Evening Post owned the copyright in the Rockwell illustrations, it had a copyright only in each of the magazines and not in the illustrations themselves. \textit{Id.} After the license terminated the defendant continued making the dolls, precipitating the litigation. \textit{Id.}

\textsuperscript{\textsuperscript{}118} \textit{Id.}

\textsuperscript{\textsuperscript{}119} \textit{Id.} at 1199.

\textsuperscript{\textsuperscript{}120} \textit{Id.} at 1200.

\textsuperscript{\textsuperscript{}121} \textit{Id.} (quoting USM Corp. v. SPS Technologies, Inc., 694 F.2d 505, 512 (7th Cir. 1982) (Posner, J.).
copyright misuse because copyrights present a smaller threat of monopolization than do patents. The court observed that if a copyright holder seeks to extend its monopoly power beyond that granted by the statute, the proper avenue of attack is under the Sherman Act, rather than "a federal common law rule that would jostle uncomfortably with the Sherman Act." In marked contrast to this strain of legal thought that demands an antitrust-based misuse defense is a line of cases that rejects the idea that antitrust violations can preclude enforcement of a copyright infringement claim. This judicial hostility borrows from a long-held doctrine that an antitrust violation is not a defense to a breach of contract. Beginning in the early part of this century, the Supreme Court distinguished between contracts that are inherently illegal under the antitrust laws and contracts that are merely collateral to the alleged illegality. When the plaintiff sought to enforce a contract, the Court repeatedly ruled that the plaintiff's violation of the antitrust laws is not a defense if the contract itself is not inherently illegal under the antitrust laws.

For example, in *Bruce's Juices, Inc. v. American Can Co.* the plaintiff sought to collect on promissory notes the defendant had signed following purchases of goods from the plaintiff. The defendant asserted that the notes were uncollectible because the plaintiff's pricing policy for other buyers was illegally discriminatory under the Robinson-Patman Act. The Court rejected this antitrust defense because the contract was not inherently illegal and because voiding contracts was not among the Act's exclusive remedies. Copyright jurisprudence mirrors this doctrine, flatly denying that a collateral antitrust defense can bar an action to enforce an infringement claim. The

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122. Id.
123. Id.
124. For a review of the role antitrust violations have played in actions to enforce contracts see Note, The Defense of Antitrust Illegality in Contract Actions, 27 U. Chi. L. Rev. 758, 759-68 (1960); Note, supra note 5, at 1291-93.
125. Compare Connolly v. Union Sewer Pipe Co., 184 U.S. 540, 547 (1902) (plaintiff's contract to sell pipe to the defendant unrelated to plaintiff's conspiracy to fix prices) with Continental Wall Paper Co. v. Louis Voight & Sons Co., 212 U.S. 227, 262 (1909) (enforcement of requirements contract denied because it was part of a scheme to violate the antitrust laws).
128. Id. at 744.
129. Id. at 744-45. The defendant claimed that the plaintiff's practice of giving discounts to volume buyers of cans exerted anticompetitive pressures against a small cannery like itself. Id. at 745. The Robinson-Patman Act outlawed price discrimination between purchasers "where the effect of such discrimination may be substantially to lessen competition or tend to create a monopoly... or prevent competition with any person who either grants or knowingly receives the benefit of such discrimination." 15 U.S.C. § 13(a) (1988).
131. Id. at 750-51.
rationale behind this doctrine is twofold. First, the courts will not construe the Sherman Act to divest a violator of his property rights, including ownership of a valid copyright. Second, the antitrust laws offer specific remedies that are exclusive. Both of these reasons are ones the Fourth Circuit expressly has supported in the past, yet the Lasercomb court failed to address these points. Lasercomb simply gives no indication whether the Fourth Circuit now questions the continuing vitality of this precedent.

In the copyright-antitrust dynamic, a less clear-cut third choice has emerged. In Alfred Bell & Co. v. Catalda Fine Arts, Inc. the Second Circuit embroidered upon the collateral antitrust defense by providing that courts must balance the competing policies of preventing copyright piracy and enforcing the antitrust laws. The district court in Alfred Bell had rejected the antitrust defense as a matter of law, recognizing that the Supreme Court’s denial of the collateral antitrust defense in Bruce’s Juices had limited the misuse principles outlined in Morton Salt. Although the Second Circuit affirmed, it chose instead to take “into account the comparative innocence or guilt of the parties, the moral character of their respective acts, the extent of the harm to the public interest, [and] the penalty inflicted on the plaintiff if we deny it relief.” Under this balancing test, the Second Circuit found a clear copyright infringement, but only a marginal antitrust violation, and therefore, held that the defendants “did not establish the anti-trust ‘unclean hands’ defense.” Subsequent courts, including the Fourth Circuit, have agreed that balancing the equities is the proper response to a copyright misuse defense.

Against the backdrop of the last half-century of patent and copyright law,


133. Pastime Amusement, 298 F. at 480 (“The Sherman Act does not make the party to an interstate monopoly an outlaw.”).

134. Id.


136. 191 F.2d 99 (2d Cir. 1951).

137. Id. at 106.


139. Id. at 978.

140. Alfred Bell, 191 F.2d at 106.

141. Id. at 105.

142. See F.E.L. Publications, Ltd. v. Catholic Bishop, 214 U.S.P.Q. (BNA) 409, 413 n.9 (7th Cir. 1982) (“Dismissal of a copyright claim for misuse is an equitable defense which requires a balancing of equities.”); Inge v. Twentieth Century-Pox Film Corp., 143 F. Supp. 294, 298-99 (S.D.N.Y. 1956) (employing Alfred Bell's balancing test; finding that the facts did not support an antitrust defense). In Stein v. Mazer, 204 F.2d 472, 480 (4th Cir. 1953), aff’d, 347 U.S. 201 (1954), the defendant asserted a copyright misuse defense to plaintiff’s action for infringement on the grounds that it reproduced the copyrighted work of art for utilization purposes. The defendant presented no unfair competition claims. The Fourth Circuit, citing Morton Salt, stated that it was “not impressed” by the copyright misuse claim and observed that “the equities . . . lie with the plaintiffs, not with the defendants, who deliberately and meticulously copied the copyrighted statuettes.” Id.
the Lasercomb decision is significant because it marks the first time an appellate court has used the copyright misuse defense to deny an infringement action.143 Yet Lasercomb is far from surprising.144 Given the widespread acceptance of Morton Salt's patent misuse doctrine, it seemed almost inevitable that an identical doctrine would appear in the law of copyright. Essentially the Lasercomb court's analysis boils down to a syllogism: Patent and copyright law have parallel constitutional goals of promoting progress. Under Morton Salt a patentee who misuses his patent by exceeding the scope of the limited monopoly frustrates that policy goal and is unworthy of legal protection. Therefore, copyright law must recognize copyright misuse as a defense to infringement. While this reasoning has some appeal, it fails to distinguish critically between patent and copyright theory and application, to comprehend the role copyrights play in modern economics, or to provide any guideposts for what constitutes copyright misuse.

By framing copyright policy as one designed to "promote progress," the Fourth Circuit sidestepped two important points. First, although patents and copyrights both offer limited monopolies to individuals primarily for the benefit of the public, there are significant theoretical and practical differences between them;145 these differences show that patents are more difficult than copyrights to obtain, but offer more protection from infringement.146 For example, because patent infringers cannot interpose the defenses of independent creation or fair use as can copyright infringers, a patent affords substantially greater economic power than does a copyright.147 Thus, the danger to the public interest is

143. At the district court level, only two cases have used the misuse defense to bar the copyright holder's claim: F.E.L. Publications, Ltd. v. Catholic Bishop, 506 F. Supp. 1127, 1136-37 (N.D. Ill. 1981) (granting defendant's motion for summary judgment on grounds plaintiff misused its copyright), rev'd, 214 U.S.P.Q. (BNA) 409, 413 n.6 (7th Cir. 1982) (recognizing copyright misuse defense exists, but finding copyright holder did not violate the antitrust laws); M. Witmark & Sons v. Jensen, 80 F. Supp. 843, 850 (D. Minn. 1948), appeal dismissed sub nom. M. Witmark & Sons v. Berger Amusement Co., 177 F.2d 515 (8th Cir. 1949).

144. A substantial number of cases have considered the nature of copyright misuse; two of these cases were from the Fourth Circuit. See supra notes 133-35 & 142 and accompanying texts. Interestingly, the Lasercomb court cited only a single case, Jensen, that directly addressed the copyright misuse defense. The opinion, however, did note repeatedly that this is an unsettled area of the law and used such phrases as: "much uncertainty engulfs the 'misuse of copyright defense;'" "there is little case law;" "the paucity of precedent;" and "uncertainty persists." Lasercomb, 911 F.2d at 973-76. Although the Lasercomb panel expressed these concerns partly due to the lack of a definitive ruling from the Supreme Court, it is unclear whether these statements are the product of disingenuousness or insufficient research. Also, instead of analyzing prior relevant cases, the court expended its energy scrutinizing the monopoly practices of the British Crown during the sixteenth and seventeenth centuries. Id. at 974-75. Rather than reaching so far afield, perhaps if the court had analyzed the case law that has developed over the past few decades, the court's opinion would have demonstrated a firmer grasp of the nuances associated with the misuse doctrine.

145. For a comparison of patents and copyrights, see supra notes 1 & 6; Alfred Bell & Co. v. Catalda Fine Arts, Inc., 191 F.2d 99, 100-04 (1951). Contra Lee v. Runge, 404 U.S. 887, 890 (1971) (order denying certiorari) ("No distinction is made in the constitutional language between copyrights and patents and I would not create one by judicial gloss."). (Douglas, J., dissenting); Gibbs, supra note 5, at 74-78 ("It should be concluded that there is no case for applying a distinction in the availability of the misuse defense between patent infringement and copyright infringement cases.").


147. See Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191, 1200 (7th Cir. 1987). Although a patentee's economic power may be greater, that power is offset by the shorter life
greater when a patentee seeks to enlarge his monopoly than when a copyright holder acts similarly.

Second, the "promotion of progress" desired by the authorities is inextricably bound to an incentive-based scheme that rewards the grantee according to the amount of copyrighted items sold or licensed.\textsuperscript{148} As a result of this royalty scheme, owners of copyrighted works compete with one another to provide the highest quality and most desirable works at a price the market is willing to pay. The public policy in need of protection, therefore, is one that ensures that anticompetitive practices do not impede or restrain the public's demand for copyrighted works.\textsuperscript{149}

The \textit{Lasercomb} decision presents three significant problems. Beyond condemning noncompete clauses in copyright licenses, it does not delineate the boundaries of copyright misuse, because the Fourth Circuit opted to ground misuse on an ill-defined public policy rather than on the antitrust laws. Furthermore, enforcement of a policy-based misuse doctrine announced in \textit{Lasercomb} necessarily depends on a morally culpable party. Finally, the opinion, which states that antitrust-based misuse is acceptable, fails to grapple with the problem of collateral antitrust defenses.

The \textit{Lasercomb} panel never clearly articulated the public policy that informs the copyright misuse defense. The court noted that society benefits from "the efforts of authors to introduce new ideas and knowledge into the public domain"\textsuperscript{150} and that copyright law seeks "to increase the store of human knowl-

\begin{itemize}
  \item \textsuperscript{148} The Supreme Court has observed that
  \begin{quote}
  [t]he 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.\textit{Mazer v. Stein}, 347 U.S. 201, 219 (1954).
  \end{quote}

  \item \textsuperscript{149} \textit{See Note, supra} note 5, at 1307-08. The Supreme Court has acknowledged repeatedly that the copyright law's rewards to a grantee act as a mechanism to ensure that the public gains access to new expressions: "'[P]rivate motivation must ultimately serve the cause of promoting broad public \textit{availability} of literature, music, and the other arts.'" \textit{Sony Corp. v. Universal City Studios}, 464 U.S. 417, 432 (1984) (quoting \textit{Twentieth Century Music Corp. v. Aiken}, 422 U.S. 151, 156 (1975)) (emphasis added). In a similar vein, the patent grant also encourages competition:

  When a new product appears on the market, it stimulates all concerned in the trade to improve on it or to develop a competing product. After the Patent Office grants a patent for the invention, the publication to the world of the specification adds to the fund of public knowledge. The process continues \textit{ad infinitum}. In this connection, it appears that a fundamental object of the Patent Laws is in effect to encourage the replacement of inferior goods or processes by superior ones . . . .

  \textbf{WALKER ON PATENTS, supra} note 1, § 28:2. At the heart of both patent and antitrust doctrine is the objective of maximizing consumer welfare by producing desirable goods at the lowest cost. There may be a diversity of approaches on how to reach this goal, but patent and antitrust law are wedded in a unitary purpose. \textit{W. Bowman, Patent and Antitrust Law} 1 (1973).

  \item \textsuperscript{150} \textit{Lasercomb}, 911 F.2d at 975. A copyright does not protect ideas, only expressions. Ideas are in the public domain and may not be copyrighted. \textit{See Mazer}, 347 U.S. at 217. For example, in the literary world there are certain common ideas or themes that all are free to use, such as young love tragically destroyed by fierce antagonisms between the families of the two lovers. This is an idea as old as Shakespeare and is not copyrightable; what is copyrightable are the expressions that convey
If that is true, then the goal of copyright policy should be to encourage authors to meet the demand for such expressions and to remove obstacles that interfere with that demand. Such obstacles then may appropriately constitute misuse. Rather than explore this aspect of copyright policy, the court repeated *Morton Salt*'s command that "'[public policy] . . . forbids the use of a patent to secure an exclusive right or limited monopoly not granted by the Patent Office and which it is contrary to public policy to grant.'"152 The circular reasoning within that statement is apparent: Public policy forbids what is contrary to public policy. The only concrete idea in that tautology is the stricture against expanding rights beyond what is conferred by the statute. Although *Lasercomb* does not analyze why this expansion is against public policy, the implication is that a copyright holder who extends his limited monopoly earns a reward greater than what the statute contemplated. The courts, therefore, will not protect one who receives an unearned property right because of the harm done to the public interest.

In light of the Fourth Circuit's unwillingness to explore the contours of a policy-based misuse defense, examining the sources on which the court relied is instructive to better understand the policy the court invoked. One commentator the court cited argues that the improper extension of the limited monopoly requires a court to determine whether this conduct has anticompetitive effects, because "the copyright law necessarily incorporated within it the public policy of encouraging a competitive economy."153 Misuse analysis, therefore, is dependent on "an uncodified law of anticompetitive practices"154 rather than on federal antitrust law. This same commentator, however, then argues that courts "should be less interested in actual anticompetitive effects and more interested in preserving the limits on monopoly grants"155 to prevent the copyright holder from obtaining a reward greater than the copyright permits. This statement suggests that the copyright grant is a safe harbor beyond which the grantee dare not venture for fear of losing the court's protection. Such reasoning offers a purist's view of the copyright grant as pristine and inviolable. The result is a formalistic approach to the law. The copyright grant protects conduct it expressly authorizes, while other conduct may expose the grantee to infringements that cannot be remedied because the court assumes that such conduct is anticompetitive in a way harmful to the public interest.

Rather than make assumptions about the allegedly anticompetitive effects generated by conduct outside the copyright grant, courts should look to the established body of antitrust law for their misuse analysis.156 Some commentators

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151. *Lasercomb*, 911 F.2d at 976.
152. *Id.* (quoting *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 492 (1942)).
154. *Id.*
155. *Id.* at 46-47.
156. See *supra* note 113 for a discussion of antitrust principles.
argue that because copyright law predates antitrust law, the latter is unnecessary to enforce the former. 157 Judge Posner has observed, however, that because the misuse doctrine evolved before the antitrust laws, its current viability in judging anticompetitive effects is questionable. Furthermore, he has argued that because the antitrust laws affect all practices that could impair competition substantially, establishing a separate doctrine with an identical purpose is difficult. 158 Judge Posner mused that courts would use such a doctrine to condemn "any ... licensing practice that is even trivially anticompetitive, at least if it has no socially beneficial effects." 159

The Lasercomb opinion reflects the tendency for the misuse doctrine to assume harmful anticompetitive effects. In examining the noncompete clause in Lasercomb's licensing agreement, 160 the court asserted that the licensee is "required to forego utilization of the creative abilities of all its officers, directors and employees in the area of CAD/CAM die-making software. Of yet greater concern, these creative abilities are withdrawn from the public." 161 The withdrawal of one company from the relevant market does not, however, guarantee that the noncompete clause has harmful consequences; that would depend upon, among other factors, the relative market strength the licensor already enjoyed. 162 In Lasercomb's case, its Interact program did not dominate the marketplace, and was actually one of seven competing systems available on the market. 163 Market power, an essential element in antitrust analysis, is thus irrelevant to the purist's view of copyright law, which the Lasercomb court followed. 164 The inconsistency in this approach is striking. The Fourth Circuit seeks to condemn misuse on economic grounds without analyzing its economic effects.

It is interesting to contrast Lasercomb's analysis with the economic inquiry undertaken by Lasercomb's judicial ancestor, Jensen. 165 In Jensen the court found that the grantees' licensing methods allowed them to capture eighty per-

157. See, e.g., Gibbs, supra note 5, at 36 ("Analysis of allegedly anticompetitive conduct from the standpoint of copyright policy alone is absolutely proper, for federal copyright protection existed for one hundred years before the Sherman Act became law.").
158. USM Corp. v. SPS Technologies, Inc., 694 F.2d 505, 511 (7th Cir. 1982).
159. Id.
160. See supra note 19 for the language of the licensing agreement.
161. Lasercomb, 911 F.2d at 978.
162. In this respect it may be helpful to analogize the noncompete clause to a merger between competing companies. Both practices eliminate competition between firms that are, or could be, rivals. The economic result, however, is not entirely clear-cut. If the two rivals have substantial market shares, the result may well be monopoly and a restriction of output, with an attendant rise in prices. If, in contrast, the rivals have insignificant market shares, their combination may either have a neutral effect or result in economies of scale, improved management, or greater access to capital, which in turn can produce a more "efficient" system, i.e., one that produces goods that consumers desire. See R. BORK, THE ANTITRUST PARADOX 105, 219 (1978). Analogizing between noncompete clauses and mergers, however, is fraught with imprecision. In the merger situation, the market shares are a quantifiable amount; with the licensee who agrees not to compete, it is pure speculation what the licensee's market share could have been had it not agreed to the noncompete clause. For the procompetitive effects that may flow from noncompete or exclusive dealing arrangements, see infra notes 176-78 and accompanying text.
164. See supra note 73 for a definition of market power.
cent of the market for music integrated into motion picture soundtracks.\textsuperscript{166} Although the \textit{Jensen} court chose not to predicate copyright misuse on an antitrust violation, the court obviously was influenced by the scope of the grantees' anticompetitive behavior. The \textit{Jensen} court observed palpable effects flowing from this conduct, noting that it effectually restrained competition\textsuperscript{167} giving the grantees the power to "\ldots sound the death knell of every motion picture theatre in America."\textsuperscript{168} The court concluded that such power clearly extended beyond what was granted under the copyright laws; the court therefore would not condone using one monopoly to obtain another.\textsuperscript{169}

In contrast, in its \textit{Lasercomb} opinion the Fourth Circuit could not detail any tangible effects resulting from Lasercomb's licensing agreement. By the time of trial Lasercomb had sold approximately forty licenses for Interact, but the defendants could prove that only one Interact licensee was bound by the standard licensing agreement that included the noncompete clause.\textsuperscript{170} The court was unimpressed with Lasercomb's assertion that the noncompete clause was negotiable and had been modified on previous occasions.\textsuperscript{171} Instead, the court expressed concern that the noncompete clause was effective for ninety-nine years, which could last longer than the life of the copyright.\textsuperscript{172} But most important to the \textit{Lasercomb} panel was the similarity between the language of this noncompete clause and the language found in a patent license that the Fourth Circuit earlier had condemned as patent misuse. Misuse resulted from such a condition because it "\ldots unreasonably lessen[ed] the competition which the public has a right to expect."\textsuperscript{173} The Fourth Circuit, however, did not expound on what would be a reasonable lessening of competition that would not constitute misuse. Nor did the court document any actual anticompetitive effects. Instead, the Fourth Circuit retreated to its purist's view of copyright law: for the \textit{Lasercomb} panel, a quantum of harm sufficient to injure the public interest could be found in "Lasercomb's attempt to use its copyright in \ldots the Interact software, to control competition in an area outside the copyright, i.e., the idea of computer-assisted die manufacture."\textsuperscript{174} While the Fourth Circuit asserted that

\begin{itemize}
  \item \textsuperscript{166} \textit{Id.} at 847.
  \item \textsuperscript{167} \textit{Id.} at 849.
  \item \textsuperscript{168} \textit{Id.} at 847.
  \item \textsuperscript{169} \textit{Id.} at 850.
  \item \textsuperscript{170} \textit{Lasercomb}, 911 F.2d at 973 \& n.8. For the language of the disputed noncompete clause, see \textit{supra} note 19.
  \item \textsuperscript{171} \textit{Lasercomb}, 911 F.2d at 973 n.8.
  \item \textsuperscript{172} \textit{Id.} at 978 \& n.21. For works created on or after January 1, 1978, the copyright endures "for the life of the author and fifty years after the author's death." 17 U.S.C. § 302(a) (1988).
  \item \textsuperscript{173} \textit{Lasercomb}, 911 F.2d at 979 (quoting Compton v. Metal Prod., Inc. 453 F.2d 38, 45 (4th Cir. 1971) (emphasis added)). For a discussion of the judicial hostility towards noncompete clauses in patent licenses, see \textit{infra} note 175.
  \item \textsuperscript{174} \textit{Lasercomb}, 911 F.2d at 979 (emphasis added). Despite its professed allegiance to a pure, nonantitrust misuse doctrine, the Fourth Circuit seems to be importing the antitrust concept of attempted monopolization, which is forbidden under the Sherman Act. 15 U.S.C. § 2 (1988). Judicial analysis of attempted monopolization claims involves three parts: (1) Inquiry into the relevant market; (2) whether the defendant possessed a specific intent to achieve monopoly power, as opposed to engaging in mere vigorous competition; (3) whether there is a "dangerous probability" that the defendant, if left unchecked, would achieve an actual monopoly. W. HOLMES, \textit{supra} note 34, § 6.05.
\end{itemize}
restraints in competition injure the public, in the same breath the court found a public injury even if a party only attempts to impair competition.\textsuperscript{175}

\textit{Lasercomb}'s assumption of public harm also fails to consider that some seemingly restrictive clauses actually have procompetitive consequences.\textsuperscript{176} For example, by conditioning a license on the licensee's agreement not to create competing items, the licensor must compensate the licensee for the restriction.\textsuperscript{177} Such compensation lowers the price for the license, creating a cost savings that the licensee can pass to the consumer. Although the licensee effectively takes itself out of the particular market, the agreement should be enforceable unless it demonstrably violates the Sherman Act's prohibition against contracts that restrain trade in a commercially unreasonable manner.\textsuperscript{178} The overall effect of ignoring the well-established body of antitrust law and replacing it with a vague

\begin{proof}
that the defendant already had a substantial market share may satisfy the "dangerous probability" inquiry. \textit{Id.}

By holding a grantee liable for attempts to control competition, the Fourth Circuit thus is trying to have it both ways. It is holding grantees to a higher standard of commercial behavior than those who do not possess a copyright, but without engaging in any serious economic analysis.

175. Although the Fourth Circuit did not scrutinize rigorously the nature of noncompete clauses, given the precedents found in patent law, it likely assumed it did not have to. For nearly fifty years the federal courts have consistently considered noncompete clauses in patent licenses to be misuse per se. \textit{See Compton v. Metal Prod., Inc.}, 453 F.2d 38, 45 (4th Cir. 1971); Berlenbach v. Anderson & Thompson Ski Co., 329 F.2d 782, 784 (9th Cir. 1964); McCullough v. Kammerer Corp., 166 F.2d 759, 761-62 (9th Cir. 1948); National Lockwasher Co. v. George K. Garrett Co., 137 F.2d 255, 256 (3d Cir. 1943); Park-In Theatres v. Paramount Richards Theatres, 90 F. Supp. 730, 734 (D. Del.), aff'd, 185 F.2d 407 (3d Cir. 1950). One early case, relying in part on \textit{Morton Salt}, observed that "[a] patentee's right does not extend to the use of the patent to purge the market of competing non-patented goods, except of course, through the process of fair competition." \textit{National Lockwasher Co.}, 137 F.2d at 256.

Later courts adhered to this view, finding patent misuse when the patentee did not enforce the noncompete clause, \textit{Berlenbach}, 329 F.2d at 785, or despite arguments that the licensee had an implied duty of good faith, under an exclusive license, to exploit the patent and refrain from using competing nonpatented items. \textit{Park-In Theatres}, 90 F. Supp. at 733-34. In \textit{Park-In Theatres} the patentee argued that the licensee who enjoyed the exclusive right to exploit the patent could choose to use another nonpatented good, thereby depriving the patentee of any royalties, an act the patentee considered to be in bad faith. \textit{Id.} at 733.

\textit{Lasercomb} advanced essentially the same argument in its brief, asserting that a licensee owes a "duty of care not to undertake to create a new work to substitute for the licensed work, even though a stranger to the agreement is entirely free to undertake to create a substitute work." Brief of Plaintiff-Appellee at 21. Such a view is supported by some courts and commentators. \textit{See Conan Properties, Inc. v. Mattel, Inc.}, 712 F. Supp. 353, 364-65 (S.D.N.Y. 1989); SAS Inst., Inc. v. S & H Computer Systems, 605 F. Supp. 816, 827-28 (M.D. Tenn. 1985); 3 M. Nimmer & D. Nimmer, supra note 70, § 10.11[B]. Because \textit{Lasercomb} provided certain codes that permitted a licensee to convert Interact for the purpose of making the program compatible with the licensee's hardware, \textit{Lasercomb} argued that the noncompete license was essential to protect against a licensee misappropriating Interact. Brief of Plaintiff-Appellee at 21. This vulnerability to misappropriation is probably what the district court referred to when it said that "'such a clause is reasonable in light of the delicate and sensitive area of computer software.'" \textit{Lasercomb}, 911 F.2d at 973 (quoting the trial court's findings). The \textit{Lasercomb} panel, however, did not address this issue, finding the noncompete clause to be misuse per se. \textit{Id.} at 979.


177. \textit{Id.} at 510.

178. \textit{See supra} note 102 for the language of the statute. One commentator notes that per se condemnation of noncompete or exclusive dealing arrangements is unwarranted due to certain procompetitive effects that they may generate. W. Holmes, supra note 34, § 21.03. Purchasers may be benefitted, for example, by an assured supply, protection of the purchaser's capital investment, and ease in long-term planning. \textit{Id.}
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policy-based doctrine is to generate the debilitating uncertainty of which Judge Posner warned.179

An antitrust-based misuse doctrine is not without problems. One commentator, in discussing patent misuse, notes that antitrust-based misuse creates two possible results: Either the limited monopoly is allowed to extend beyond the grant because there is no antitrust violation, or, if there is a violation, the grantee is subject to the stern penalties of the antitrust laws, including treble damages and attorney's fees.180 A policy-based misuse doctrine, therefore, affords an escape valve from those penalties while it enforces the patent laws.181 In essence, because policy-based misuse is available, "[t]he full weight of the antitrust laws is not required" to enforce patent policy.182 This position, however, necessarily depends on a belief that the patent and antitrust laws have distinct, if not antagonistic, policy goals—a belief that fails to withstand analysis.183

Another factor militating against antitrust-based misuse is the litigation expenses an infringer must incur when seeking to prove the grantee was in restraint of trade. The result of these exorbitant expenses is that infringers may not prosecute some antitrust actions against grantees in restraint of trade.184 This scenario is especially true in the case of an infringer asserting a collateral antitrust defense. If the infringing defendant proves misuse because the grantee violated the antitrust laws, the defendant escapes infringement liability; because the defendant is not injured by reason of the antitrust violation, however, neither treble damages nor attorney's fees will be available.185 Thus, there is less incentive to litigate the question,186 although ways are available to avoid this dilemma.187

One of the more troubling aspects of a policy-based misuse doctrine is that enforcement of the policy lies solely in the hands of a copyright infringer. If a public policy is so important that it warrants depriving a property owner of the court's protection against theft, why is a thief's conduct the only vehicle for

179. USM Corp., 694 F.2d at 512. Not only is there less certainty due to the nature of a policy-based misuse, but copyright holders also will have to speculate whether each practice condemned under the patent misuse doctrine is equally vulnerable under copyright misuse. See supra notes 77-83 and accompanying text for the types of conduct constituting patent misuse. If the Fourth Circuit finds patent and copyright policy in virtual lockstep, may copyright holders now assume that courts will engage in a market power inquiry in copyright cases involving tying arrangements and package licensing, as is required only under the patent laws? See 35 U.S.C. § 271(d) (1988). Although precedent exists for importing statutory requirements under the patent laws into copyright doctrine, see Sony Corp. v. Universal City Studios, 464 U.S. 417, 434-42 (1984), Lasercomb leaves copyright owners with only a guess for whether this might be the case.

180. Calkins, supra note 4, at 187.
181. Id.
182. Id.
183. See supra notes 148-49 and accompanying text for a discussion of how the patent and antitrust laws reflect parallel procompetitive policies.
184. Calkins, supra note 4, at 187.
186. Note, supra note 5, at 1312 n.106.
187. One commentator suggests two possible solutions. One alternative is permitting the infringing defendant to join the antitrust victim as a codefendant, thereby covering the litigation costs should the antitrust counterclaim prevail. A second possibility is requiring that the government intervene to enforce the antitrust laws, which places the litigation expenses on the government. Id.
enforcing that policy? The pure copyright misuse theory holds that the public interest is harmed by improper enlargement of the copyright, but such conduct need not rise to the level of an antitrust violation. By varying the facts of Lasercomb, one can imagine a situation in which no party has standing to enforce this presumably important public policy.188 A public policy that relies so heavily on happenstance and the willful wrongdoing of a private party to enforce that policy is not much of a policy at all.189

Significantly, the Fourth Circuit did not attempt to address the issue whether collateral antitrust violations can trigger the misuse defense.190 The court instead straddled the fence and found that misuse results from either antitrust or public policy violations.191 Because the Fourth Circuit's holding was grounded in a policy-based misuse, the court did not contemplate the validity of prior Fourth Circuit caselaw that bars collateral antitrust defenses to copyright infringement actions.192 Had it affirmed this principle, while at the same time deciding Lasercomb as it did, the court would have placed itself in an untenable position. In both cases the infringing party would be in a position collateral to the misuse, yet only the grantee who committed the more egregious offense—the antitrust violator—would still be allowed to enforce an infringement claim.

A better approach would have been to disavow this precedent and distinguish collateral antitrust defenses in cases involving contracts and copyrights. The former involve state-created rights while the latter involve rights created

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188. Assuming the defendants had not broken the chronoguard and stolen the software for themselves, they would not have been liable for infringement and would never have asserted the copyright misuse defense; Lasercomb then would never have had the incentive to purge its misuse. If a court found that the noncompete clause withheld an antitrust attack, the clause would remain in force. At this point the only way to confine Lasercomb to its limited monopoly and discontinue the anticompetitive conduct would be to use copyright misuse as an affirmative attack on the copyright holder. The Lasercomb panel did not need to contemplate this notion, but one court recently rejected use of the copyright misuse doctrine as "a vehicle for affirmative relief." Broadcast Music, Inc. v. Hearst/ABC Viacom Entertainment Servs., 746 F. Supp. 320, 328 (S.D.N.Y. 1990).

A party may seek a declaratory judgment on the question of copyright misuse. See id. at 327; Columbia Broadcasting Sys. v. American Soc'y of Composers, 400 F. Supp. 737, 771 (S.D.N.Y. 1975), rev'd, 562 F.2d 130 (2d Cir. 1977), rev'd sub nom. Broadcast Music, Inc. v. Columbia Broadcasting Sys., 441 U.S. 1 (1979). Yet an affirmative judgment of misuse would permit a party to infringe with impunity only until the copyright holder purged the misuse. The result here is the same: enforcement of copyright policy is entirely dependent on one who willfully violates the copyright laws.

Judge Posner has also cast doubt on the importance of the policy that is meant to be protected. In seeking to explain a patent misuse case arising out of the Fourth Circuit. Judge Posner suggested that misuse doctrine, "unlike antitrust law, condemns any patent licensing practice that is even trivially anticompetitive, at least if it has no socially beneficial effects." USM Corp. v. SPS Technologies, Inc., 694 F.2d 505, 511 (7th Cir. 1982). If so, one may wonder whether "De minimis non curat lex"—"the law does not care for trifling matters"—holds true in the Fourth Circuit.

189. In denying an antitrust defense to a breach of contract action, Justice Brennan has observed that "if the defense of illegality is to be allowed as a collateral method of enforcement of the antitrust laws, ... it must be said that [this] creates a very strange class of private attorneys general." Kelly v. Kosuga, 358 U.S. 516, 520 (1959). Given the holding in Lasercomb, the Fourth Circuit is in effect expanding this "very strange class" for the purpose of enforcing an ill-defined public policy.

190. See supra notes 132-35 and accompanying text.

191. Lasercomb, 911 F.2d at 978.

under federal law. Any judicial repugnance towards injecting federal policy into disputes governed by state law, therefore, is not warranted in actions already concerning federal law. Furthermore, the rationale that courts should not use the Sherman Act to divest a copyright holder of her property rights is unavailing in light of the temporary effect that misuse doctrine has upon a copyright. Once the grantee purges her misuse she regains all rights to her property. Moreover, while the remedies offered by the antitrust laws are said to be exclusive, no rational basis exists for preventing federal courts from employing a well-established body of legal analysis as a measuring device that is useful in enforcing equally important federal laws. The result in allowing collateral antitrust violations to constitute misuse involves a trade-off. This choice requires infringers asserting a misuse defense to satisfy the requirements of the antitrust laws. It balances the burden of meeting this demand against permitting infringers who have not suffered antitrust injuries to raise the misuse defense. This in turn broadens the class of copyright holders who will be unable to pursue an infringement claim and should act as a deterrent to copyright abuse.

Although it is too early to gauge the impact of the Fourth Circuit’s decision, it hardly can be welcome news for copyright holders. It remains an open question, however, whether courts will construe Lasercomb narrowly or will give it widespread application in infringement actions involving computer software as well as in other fields.

193. But see Gibbs, supra note 5, at 70.
194. See Note, supra note 5, at 1314.
195. The Lasercomb decision already has attracted criticism outside the legal community. One commentator in the computer software field suggests that the result in Lasercomb is “ridiculous,” and the product of a judiciary that fails to comprehend that computer software is unique; software is neither “like a book or a hammer,” but an “entirely new beast.” Gruenfeld, Copyrights: You Abuse, You Lose, INFORMATION WEEK, Mar. 18, 1991, at 52.

196. One recent software infringement action suggests that “shrink wrap” or “box top” licenses may make the licensor vulnerable to charges of copyright misuse. Shrink wrap licenses are often used in the marketing of consumer software. The license consists of a form attached to the exterior of the software packaging, which alerts consumers that opening the package binds the consumer to the terms of the license. 1 L. KURSEN, COMPUTER SOFTWARE, § 8.03[1] (1991). The form then lists various provisions that seek to control the way the purchaser uses the software. Id.

In Vault Corp. v. Quaid Software, Ltd., 847 F.2d 255 (5th Cir. 1988), the plaintiff copyright holder brought an infringement action against another software producer, who purportedly was bound by the terms of the plaintiff’s shrink wrap license. In addition to the infringement action, the plaintiff asserted a claim that the defendant breached its license agreement by decompiling or disassembling the plaintiff’s program in violation of a Louisiana statute. Id. at 258. That statute permitted licensors to restrict licensees from decompiling or disassembling computer programs, as well as enacting a complete ban on copying the programs. Id. at 269. The Fifth Circuit found that such restrictions conflicted with the Copyright Act, which permits archival copies and copies made as an essential step in the use of a computer program. See 17 U.S.C. § 117 (1988). The court then held that the Copyright Act preempted the Louisiana statute, rendering the license agreement unenforceable. Vault, 847 F.2d at 270.

The potential application of Lasercomb’s misuse doctrine is clear. When the copyright holder seeks to usurp rights granted under the Copyright Act, this action ostensibly enlarges the grantee’s copyright beyond what was originally contemplated. If a court were to declare the grantee to have misused the copyright in a case like Vault, the irony is remarkable: a grantee who has relied on a state legislative expression of what the public policy should be concerning copyrighted programs now has no remedy against those who infringe.

In areas outside computer software, Lasercomb’s implications are less clear-cut. One could imagine a film or video producer licensing the reproduction and distribution rights to another, on the condition that the licensee agree not to enter into the business of film or video production. If the
Despite the uncertain reach of the Fourth Circuit's decision, the *Lasercomb* opinion is troubling in its flat rejection of the idea of defining copyright misuse according to antitrust doctrine. The Fourth Circuit chose not to inquire into the contested practice's actual effects. The result is that even though a licensing agreement may be only marginally anticompetitive, have a neutral effect, or in practice actually have procompetitive consequences,\(^1\) it still will be harmful to the public interest if it does not fall squarely within the defined bounds of the statutory grant. This formalistic approach is out of step with modern economic analysis and even traditional equitable principles of balancing one party's culpability against the other's.\(^2\) Moreover, opting for a vaguely defined public policy rationale rather than antitrust principles likely will generate "debilitating uncertainty" for copyright holders seeking to license their copyrights.\(^3\)

Although *Lasercomb* may be a landmark holding, its celebrity could well be short-lived. Given the recent congressional attempt to subsume the patent misuse defense under antitrust principles,\(^4\) it may not be long before the Fourth Circuit is legislatively preempted, at least far more quickly than the languid jurisprudential pace that transformed *Morton Salt* into *Lasercomb*.

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licensure were to create an unauthorized derivative work (for example, a film sequel) in violation of the noncompete clause, *Lasercomb*'s misuse defense would bar any infringement action.

\(^1\) See supra notes 176-78 and accompanying text.

\(^2\) See supra notes 136-41 and accompanying text for the Second Circuit's balancing approach.

\(^3\) See supra note 179.

\(^4\) See supra note 76.