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Christina Ambrosio

Roni Schneider

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COPYRIGHT MISUSE . . . GETTING DEFENSIVE: *LASERCOMB AMERICA, INC. v. REYNOLDS*

The United States Constitution confers upon Congress the power to establish copyright and patent law.¹ The purpose of this constitutional grant is to promote the general welfare through the advancement of "Science and useful Arts" by rewarding inventors and authors with an exclusive right to their original works.² Con-

¹ See U.S. CONST. art. I § 8, cl. 8. The Constitution confers upon Congress the 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" *Id.*

² See *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 215 (1980) (patent grant excludes others from profiting from patented invention); *Goldstein v. California*, 412 U.S. 546, 555 (1973) (Article 1, section 8, clause 8, of Constitution encourages "people to devote themselves to intellectual and artistic creation . . . [by guaranteeing] to authors and inventors a reward in the form of control over the sale or commercial use of copies of their works"); *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665 (1944) (patent grant is "special privilege 'to Promote progress of Science and useful Arts,'" and "[i]t carries, of course, a right to be free from competition in the practice of the invention"). Though authors and inventors benefit from the grant of copyrights and patents, the benefit the public receives, through the advancement of 'Science and useful Arts,' is paramount. See *Mazer v. Stein*, 347 U.S. 201, 219 (1954). "[E]ncouragement 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.'" *Id.* (emphasis added). See *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 158 (1948) (copyright law, like patent law, makes rewarding owner secondary to public benefit); *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 816 (1945) (interest in patent monopolies being free from fraud or inequitable conduct is paramount public interest); *Marconi Wireless Co. v. United States*, 320 U.S. 1, 58 (1942) (if invalid in part, rule patent invalid in its entirety for public protection); *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932) ("primary object in conferring the monopoly lies [sic] in the general benefits derived by the public"); *Motion Picture Patents Co. v. Universal Film Co.*, 243 U.S. 502, 510-11 (1917) (public interest is dominant); *Berlin v. E.C. Publications, Inc.*, 329 F.2d 541, 544 (2d Cir.) (copyright holder's interest is subordinate to greater public good), *cert. denied*, 379 U.S. 822 (1964); *Caldwell v. Kirk Mfg. Co.*, 269 F.2d 506, 508 (8th Cir.) ("The public is a silent but an important party in interest in all patent litigation." (quoting *Long v. Arkansas Foundry Co.*, 247 F.2d 366, 369 (8th Cir. 1957))), *cert. denied*, 361 U.S. 915 (1959); *Greening Nursery Co. v. J & R Tool & Mfg. Co.*, 252 F. Supp. 117, 139-40 (S.D. Iowa 1966) ("interest of the public is paramount"), *aff'd*, 376 F.2d 738 (8th Cir. 1967). See also Wallace, *Proper Use of the Patent Misuse Doctrine — An Antitrust Defense to Patent Infringement Actions In Need of Rational Reform*, 26 MERCER L. REV. 813, 813 (1975) (patent and copyright system were "created to serve the laudable constitutional objectives of advancing the public well-being"); W.C. HOLMES, INTELLECTUAL PROPERTY AND ANTITRUST LAW § 1.01, at 1-2 (1990) (states object of

gress has exercised this power by enacting the Copyright and Patent Acts.³ In recognition of the goal of patent legislation, the United States Supreme Court provided the public with a patent misuse defense to infringement claims brought by patent owners who have extended their statutory rights into unsanctioned areas.⁴

constitution in granting legislative power).

* See 35 U.S.C. § 154 (1988). "Every patent shall . . . grant to the patentee . . . for the term of seventeen years, . . . the right to exclude others from making, using, or selling the invention throughout the United States . . ." *Id.*

[T]he owner of a copyright . . . has the exclusive rights to do and to authorize any of the following: (1) to reproduce the copyrighted work in copies or phonorecords; (2) to prepare derivative works based upon the copyrighted work; (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending; (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly.

17 U.S.C. § 106 (1988). "Copyright in a work created on or after January 1, 1978, subsists from its creation and . . . endures for a term consisting of the life of the author and fifty years after the author's death." 17 U.S.C. § 302(a) (1977).

Federal courts have clearly recognized these intellectual property rights. See *Dawson Chemical*, 448 U.S. at 179-80 (patentee able to obtain relief against infringers); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229 (1964) (patent is statutory grant of monopoly); *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 491 (1942) (patent grants to patentee exclusive right to make, use and vend particular device); *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1577 (Fed. Cir.) (patent grant excludes others from using patentee's discovery without consent), *cert. denied*, 464 U.S. 996 (1983); *Granite Music Corp. v. United Artists Corp.*, 532 F.2d 718, 720 (9th Cir. 1976) (copyright is absolute right to prevent others from copying work); *Scarlatti v. Brenner*, 260 F. Supp. 320, 322 (D.D.C. 1966) (patent is grant of monopoly); *Austin v. Steiner*, 207 F. Supp. 776, 779 (N.D. Ill. 1962) (copyright provides exclusive right to publish, copy, vend compositions); *Greenbie v. Noble*, 151 F. Supp. 45, 66 (S.D.N.Y. 1957) (copyright monopoly gives owner exclusive right to "exploit the form of his expression"). See generally HOLMES, *supra* note 2, § 1.02, at 1-2, § 4.07, at 4-10 to 4-13 (1990) (rights of holder of copyright grant).

⁴ See *Morton Salt*, 314 U.S. at 493 (misuse defense founded in public interest in free competition). The majority of cases have followed *Morton Salt* and have found the use of a patent to acquire a monopoly which is outside the terms of the patent to constitute misuse. See, e.g., *Blonder-Tongue Laboratories v. University of Ill. Found.*, 402 U.S. 313, 343-44 (1971) (Court condemned attempts to broaden scope of patent monopoly); *Sears, Roebuck*, 376 U.S. at 229-31 (patent may not be used to secure limited monopoly of unpatented device); *Mercoid*, 320 U.S. at 664-65 (patent misuse results in licensing provisions that suppress competition outside patent rights); *B.B. Chem. Co. v. Ellis*, 314 U.S. 495, 497-98 (1942) (companion case to *Morton Salt*; patentee who authorizes manufacturer to use patented item only with materials furnished by him cannot enjoin infringement); *W.L. Gore & Assocs., Inc. v. Carlisle Corp.*, 529 F.2d 614, 622 (3d Cir. 1976) ("attempt to extend the patent monopoly beyond the patent claims or the limited period of the monopoly grant necessarily runs counter to the patent laws"); *Robintech, Inc. v. Chemidus Wavin, Ltd.*, 450 F. Supp. 817, 822 (D.D.C. 1978) (party raising misuse defense need not show harm to self since "concern here [is] the adverse effects on the public interest"); *Valmont Indus.*,

Lasercomb America, Inc. v. Reynolds

While the Constitution treats patents and copyrights in tandem, no analogous copyright misuse defense has been codified by the legislature or expressly approved by the Supreme Court.⁵ Al-

Inc. v. Yuma Mfg. Co., 296 F. Supp. 1291, 1295 (D. Col. 1969) (patentee may not use patent to control sale or use of unpatented articles); General Elec. Co. v. Hygrade Sylvania Corp., 45 F. Supp. 714, 717 (S.D.N.Y. 1942) (if patentee alleged infringer has used patent for illegal purposes or purposes contrary to public policy, court justified in denying relief); U.M.A. Inc. v. Burdick Equip. Co., 45 F. Supp. 755, 756 (S.D.N.Y. 1942) (cannot maintain infringement suit where conduct in exploitation of patent violates public policy).

"According to this [patent misuse] doctrine, a court may, as a matter of equitable discretion, refuse to enjoin infringement of a patent as long as the patent is being 'misused' to violate the antitrust laws or to otherwise act contrary to the public interest." HOLMES, *supra* note 2, § 1.07, at 1-2. See Brinson, *Patent Misuse; Time for a Change*, 16 RUTGERS COMP. & TECH. L.J. 357-58 (1990) (under misuse doctrine, infringer can avoid liability for infringement). Patent misuse has been recognized where patent owners engage in tying agreements, price fixing and prohibiting the production or sale of competing goods. See *United States v. New Wrinkle, Inc.*, 342 U.S. 371, 380 (1952). See also *Motion Picture Patents*, 243 U.S. at 517-18 (patentee cannot condition sale of patented item on buyer's agreement to purchase another); *National Lockwasher Co. v. George K. Garrett Co.*, 137 F.2d 255, 257 (3d Cir. 1943) (misuse for patentee to restrict manufacturing of patented washers to manufacturers who agree to refrain from manufacturing competing washers not covered by its patent).

The misuse defense has likewise been recognized in trademark law. See *Helene Curtis Indus., Inc. v. Church & Dwight Co., Inc.*, 560 F.2d 1325, 1336 (7th Cir. 1977) (enforcement of trademark denied to one who used it to violate antitrust-laws), *cert. denied*, 434 U.S. 1070 (1978); *Carl Zeiss Stiftung v. Veb Carl Zeiss Jena*, 433 F.2d 686, 706 (2d Cir. 1970) (acknowledged antitrust-based misuse of trademark defense), *cert. denied*, 403 U.S. 905 (1971); *Boston Professional Hockey Ass'n., Inc. v. Dallas Cap & Emblem Mfg., Inc.* 360 F. Supp. 459, 465 (N.D. Tx. 1973) (defense to trademark infringement that defendant used mark in scheme to violate antitrust law), *aff'd in part, rev'd in part on other grounds*, 510 F.2d 1004 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975). See *infra* notes 31-45 and accompanying text (discussion of *Morton Salt* and 1988 Patent Misuse Reform Act, 35 U.S.C. § 271(d)(4), (5), which limited *Morton Salt's* holding).

⁵ See *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 976 (4th Cir. 1990) ("No United States Supreme Court decision has firmly established a copyright misuse defense."); *Broadcast Music, Inc. v. Hearst/ABC Viacom Entertainment Serv.*, 746 F. Supp. 320, 328 (S.D.N.Y. 1990) (declining to create copyright misuse claim given lack of precedent); *Bell-south Advertising & Publishing Co. v. Donnelly Information Publishers, Inc.*, 719 F. Supp. 1551, 1563 (S.D. Fla. 1988) (Supreme Court "has not expressly held that a court of equity ought to decline to enjoin infringement where the copyright owner [misuses a copyright]" (quoting *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672, 686 (S.D.N.Y. 1979))). See generally HOLMES, *supra* note 2, § 4.09, at 4-18 (Supreme Court has never expressly recognized copyright misuse defense).

The United States Supreme Court has, however, implied the existence of the copyright misuse defense. See *Broadcast Music, Inc. v. Columbia Broadcasting Sys., Inc.*, 441 U.S. 1, 6 (1978) (while court of appeals found copyright misuse to exist, Supreme Court remanded because it disagreed with court of appeals' finding of *per se* illegality in blanket license); *United States v. Loew's Inc.*, 371 U.S. 38, 46 (1962) (implied principles underlying patent misuse are applicable to copyright). See generally M.B. NIMMER, 3 NIMMER ON COPYRIGHT § 13.09(A), at 13-144 (1990) (Supreme Court hints towards validity of copyright misuse defense in *United States v. Loew's, Inc.*).

though reference has been made to the implied existence of a copyright misuse defense in the lower federal courts, its validity has not been upheld with any definitiveness or uniformity.⁶ In response to the ambiguity, the United States Court of Appeals for

⁶ See *United States Tel. Co. v. Johnson Publishing Co.*, 855 F.2d 604, 610-12 (8th Cir. 1988) (declined to hold specifically that copyright misuse defense exists, but proceeded assuming that it did, and rejected its application); *Supermarket of Homes, Inc. v. San Fernando Valley Bd.*, 786 F.2d 1400, 1408 (9th Cir. 1986) (alleged conduct did not constitute misuse of copyright); *F.F.I. Publications, Ltd. v. Catholic Bishop of Chicago*, 214 U.S.P.Q. 409, 413-16 (7th Cir.) (misuse of copyright in violation of antitrust laws may be asserted as defense), *cert. denied*, 459 U.S. 859 (1982); *Blendingwell Music, Inc. v. Moor-Law, Inc.*, 612 F. Supp. 474, 483-84 (D.C. Del. 1985) (in absence of violation of antitrust law, no basis for allegation of copyright misuse); *Broadcast Music, Inc. v. Moor-Law, Inc.*, 527 F. Supp. 758, 772-73 (D.C. Del. 1981) (without sanctioning validity of copyright misuse claim, court proceeded to analyze claim that defendant unlawfully extended scope of its copyrights), *aff'd*, 691 F.2d 490 (3d Cir. 1982).

Other courts in dicta have presented affirmative arguments supporting the existence of the copyright misuse doctrine. See *Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191, 1198-99 (7th Cir. 1987) (drew analogy between patent misuse and copyright misuse); *Mitchell Bros. Film Group v. Cinema Adult Theater*, 604 F.2d 852, 865 (5th Cir. 1979) ("In an appropriate case a misuse of the copyright statute that in some way subverts the purpose of the statute . . . might constitute a bar to judicial relief."), *cert. denied sub nom. Bora v. Mitchell Bros. Film Group*, 445 U.S. 917 (1980); *Tempo Music, Inc. v. Myers*, 407 F.2d 503, 507 (4th Cir. 1969) (defense of unclean hands by virtue of copyright misuse is permissible); *Broadcast Music, Inc. v. Hearst/ABC Viacom Entertainment Servs.*, 746 F. Supp. 320, 328 (S.D.N.Y. 1990) (found copyright misuse defense to be cognizable but declined to create claim); *Bellsouth Advertising & Publishing Co. v. Donnelley Information Publishing, Inc.*, 719 F. Supp. 1551, 1562 (S.D. Fla. 1988) (antitrust defense can bar enforcement of infringement claim if copyright holder attempts to extend power granted by copyright).

Quite to the contrary, several courts have denied existence of such a defense and refused to analyze its validity. See *Allen-Myland, Inc. v. International Business Machs. Corp.*, 746 F. Supp. 520, 548 (E.D. Pa. 1990) (court determined classic and ancient equitable doctrine of unclean hands is inapplicable); *Rural Tel. Serv. Co. v. Feist Publications*, 663 F. Supp. 214, 220 (D. Kan. 1987) (violation of antitrust laws not valid defense in copyright infringement action), *aff'd*, 916 F.2d 718 (10th Cir.), *cert. granted in part*, 111 S. Ct. 40 (1990); *Midway Mfg. Co. v. Artic Int'l, Inc.*, 211 U.S.P.Q. 1152, 1160-61 (N.D. Ill. 1981) (antitrust violation no defense to copyright infringement); *Orth-O-Vision, Inc. v. Home Box Office*, 474 F. Supp. 672, 686 (S.D.N.Y. 1979) (denied existence of copyright misuse defense); *Peter Pan Fabrics, Inc. v. Candy Frocks, Inc.*, 187 F. Supp. 334, 336 (S.D.N.Y. 1960) (misuse of copyright not proper defense to action for copyright infringement); *Harms, Inc. v. Samson House Enters., Inc.*, 162 F. Supp. 129, 135 (E.D. Pa. 1958) (defense of violation of antitrust laws not permitted in copyright infringement action), *aff'd sub nom. Leo Feist, Inc. v. Lew Tendler Tavern, Inc.*, 267 F.2d 494 (3d Cir. 1959). In denying the existence of the defense, courts generally have reasoned that the fact that one had misused his copyright does not "authorize others to injure him with impunity." *Vitagraph, Inc. v. Grogaski*, 46 F.2d 813, 814 (W.D. Mich. 1931). See generally Comment, *Copyright Misuse and Cable Television; Orth-o-vision, Inc. v. Home Box Office*, 35 FED. COMM. L.J. 347, 354 (1983) (federal courts disagree on copyright misuse validity); NIMMER, *supra* note 5, § 13.09(A), at 13-142 to 13-144 (1990) (discussion of validity of copyright misuse defense through violation of copyright laws).

Lasercomb America, Inc. v. Reynolds

the Fourth Circuit, in *Lasercomb America, Inc. v. Reynolds*,⁷ made the first decisive statement addressing the issue, holding that a copyright misuse defense is available in infringement actions brought by copyright owners.⁸

In *Lasercomb*, the respondents, Lasercomb America, Inc. ("Lasercomb"), developed a software program, "Interact," which enabled a programmer to design a steel rule die.⁹ Prior to marketing the program, Lasercomb entered into an agreement with Holiday Steel Rule Die Corporation ("Holiday Steel") whereby Holiday Steel would purchase and use four copies of the "Interact" program.¹⁰ Subsequent to receipt of the program, appellant Larry Holliday, president and sole shareholder of Holiday Steel, directed his computer programmer, appellant Job Reynolds, to make three unauthorized copies of "Interact."¹¹ Under Holliday's further direction, Reynolds created a steel rule die program which was almost an exact copy of "Interact," to be marketed as a Holiday Steel product.¹² Upon discovering the actions of appellants, Lasercomb registered its copyright in "Interact"¹³ and filed an action against Holliday, Reynolds and Holiday Steel claiming, primarily, copyright infringement and fraud.¹⁴ The appellants asserted several counterclaims¹⁵ and raised the affirmative defense

⁷ 911 F.2d 970 (4th Cir. 1990).

⁸ *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 974 (4th Cir. 1990). "[S]ince copyright and patent law serve parallel public interests, a "misuse" defense should apply to infringement actions brought to vindicate either right." *Id.* at 976.

⁹ *Id.* at 971. A steel rule die is a manufacturing tool which is "used to cut and score paper and cardboard for folding into boxes and cartons." *Id.*

¹⁰ *Id.* By way of this agreement, Holiday Steel paid \$35,000 for the first copy of "Interact," \$17,500 each for the second and third copies and \$2,000 for the fourth copy. *Id.* Any additional copies Holiday Steel cared to purchase would cost \$2,000 each. *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 972 (4th Cir. 1990). Lasercomb acquired its copyright in "Interact" before it entered into the licensing agreement with Holiday Steel, but failed to register it with the Federal Copyright Office until 1986. *Id.* Although registration of a copyright is not mandatory, it is a statutory prerequisite to instituting an infringement action. See 17 U.S.C. § 411(a) (1977). Furthermore, a registration certificate constitutes prima facie evidence of the validity of the copyright and of the facts stated therein, when such registration occurs before or within five years after the first publication of the work. See 17 U.S.C. § 410(c) (1977).

¹⁴ *Lasercomb*, 911 F.2d at 972. In addition, Lasercomb claimed breach of contract, misappropriation of trade secret, false designation of origin and unfair competition. *Id.* The latter three claims were dismissed as being preempted by the Copyright Act. *Id.*

¹⁵ *Lasercomb Am., Inc. v. Holiday Steel Rule Die Corp.*, 656 F. Supp. 612, 613

of copyright misuse.¹⁶ They alleged that Lasercomb wrongfully extended the rights granted by its copyright by incorporating a clause into its standard licensing agreement prohibiting the licensee from writing, producing or selling computer die-making software for a period of 99 years.¹⁷ Although appellants did not actually sign such an agreement and therefore were not bound by the restrictions contained therein, Lasercomb was able to prove at trial that at least one licensee was so bound.¹⁸

Ultimately, all of the counterclaims were dismissed.¹⁹ The United States District Court for the Middle District of North Carolina rejected the affirmative defenses and held for Lasercomb, awarding actual and punitive damages for infringement of copyright and fraud.²⁰ Rejecting the copyright misuse defense, the district court found the restrictive clause reasonable in light of the subject matter.²¹ More significantly, the court questioned the very

(M.D.N.C. 1987), *aff'd in part, rev'd on other grounds sub nom. Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990). In addition to the affirmative defense of misuse of copyright, appellants asserted several counterclaims, including breach of contract, injurious falsehood and trade defamation, unfair competition by competition disparagement, malicious institution of a civil action, and unfair deceptive trade practices. *Id.*

¹⁶ See 3 P. ROSENBERG, PATENT LAW FUNDAMENTALS § 16.05[2], at 16-76 (2d ed. 1990). Misuse is not an affirmative cause of action but rather an affirmative defense to an infringement claim which must be pleaded and proven under Rule 8(e) of the Federal Rules of Civil Procedure. *Id.*

¹⁷ *Lasercomb*, 911 F.2d at 973. The restrictive clauses contained in the 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.

The "term of this Agreement" referred to in these clauses is ninety-nine years.

Id.

¹⁸ *Id.* at 973.

¹⁹ *Id.* at 972.

²⁰ *Id.* Lasercomb was awarded actual damages of \$105,000 for copyright infringement and fraud, of which Holliday, Reynolds and Holiday Steel were jointly and severally liable. *Id.* Under the fraud claim, Lasercomb received \$15,000 in punitive damages, \$10,000 from Holliday and \$5,000 from Reynolds. *Id.* All defendants were permanently enjoined from publishing or making the software copied from Lasercomb's "Interact" program. *Id.*

²¹ *Lasercomb Am., Inc. v. Holiday Steel Rule Die Corp.*, 656 F. Supp. 612, 616 (M.D.N.C. 1987), *aff'd in part, rev'd on other grounds sub nom. Lasercomb Am., Inc. v. Reyn-*

existence of a copyright misuse defense.²³

On appeal, Holliday and Reynolds,²³ while admitting that they copied the "Interact" program, argued that the court erred in rejecting the copyright misuse defense and claimed that Lasercomb should have been denied recovery on that ground.²⁴ The Fourth Circuit reversed the district court's decision on the infringement claim, holding that the copyright misuse defense did indeed exist and that all the required elements were satisfied by the appellants.²⁵ Accordingly, Lasercomb was barred from suing for infringement of its copyright.²⁶

Writing for the majority, Judge Sprouse began by recognizing that the patent misuse defense is well established and inherent in patent law.²⁷ Justifying the application of the misuse doctrine to

olds, 911 F.2d 970 (4th Cir. 1990). The district court reasoned that because Lasercomb did not use the restrictive licensing agreement when dealing with Holiday Steel, the required nexus between the claim and the defense did not exist. *Id.*

²³ *Id.* The court noted that the defendants' assertion of copyright misuse failed to create a genuine issue of fact. *Id.*

²⁴ See *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 971 (4th Cir. 1990). As a result of Holiday Steel's bankruptcy it was not a party to the appeal. *Id.* at 971 n.1.

²⁵ *Id.* at 972. Appellants also argued that the court erred in its finding of fraud and in the calculation of damages. *Id.*

²⁶ *Id.* at 978-79. The court of appeals found Lasercomb misused its copyright by utilizing its licensing agreement to suppress any licensee from independently implementing the idea which "Interact" expressed in a manner contrary to the public policy embodied in copyright law. *Id.* In addition, the court affirmed the district court's finding of fraud and remanded for a redetermination of damages. *Id.* at 980-81.

²⁷ *Id.* at 979. A finding of misuse does not invalidate a copyright but rather precludes the copyright holder from bringing an infringement action until the misuse ceases. *Id.* at 979 n.22. See *United States Gypsum Co. v. National Gypsum Co.*, 352 U.S. 457, 465 (1953) (owner who misuses patent cannot recover from infringement until effect of misuse has been dissipated or "purged"); *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 493 (1942) (equity can refuse to entertain infringement suit until improper practice is abandoned); *Kearney & Trucker Corp. v. Cincinnati Milacron, Inc.*, 562 F.2d 365, 371-72 (6th Cir. 1977) (misused patent may not be enforced until owner can show it has discontinued illegal practice); *Preformed Line Prods. Co. v. Fanner Mfg. Co.*, 328 F.2d 265, 278-79 (6th Cir.), cert. denied, 379 U.S. 846 (1964) (relief was denied until misuser could show improper practice was "fully abandoned" and its "consequences had been fully dissipated"); *Reinke Mfg. Co. v. Sidney Mfg. Corp.*, 446 F. Supp. 1056, 1068 (D. Neb. 1978) (where misuse is "purged" owners right to enforce patent revives), *aff'd*, 594 F.2d 664 (8th Cir. 1979); HOLMES, *supra* note 2, § 4.09, at 4-18 (copyright misuse defense holds enforcement of copyright against infringer can be denied if copyright is exploited to violate antitrust laws); 3 P. ROSENBERG, *supra* note 16, § 16.02[2], at 16-40 (patent validity denied temporarily for misuse).

²⁷ *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 973 (4th Cir. 1990). The court found its primary authority for declaring the validity of the patent misuse defense in the United States Supreme Court case of *Morton Salt, Co. v. G.S. Suppiger Co.*, 314 U.S. 488

copyright infringement claims, Judge Sprouse paralleled the origin and public policy behind the grant of both copyrights and patents and found them to be essentially the same.²⁸ By way of analogy, Judge Sprouse concluded that the copyright misuse defense is likewise inherent in copyright law and deserving of similar treatment.²⁹

It is submitted that in so far as *Lasercomb* established that the copyright misuse defense follows *a priori* from its predecessor in patent law, it did so correctly. However, *Lasercomb's* holding did little more than promulgate broader application of an already amorphous defense. This Comment will profile the analogous patent misuse defense and identify the infirmity of the misuse doctrine as it is applied to both patent and copyright law. Additionally, an alternative standard of review will be offered which will

(1942). *Id.* at 975. In *Morton Salt*, the plaintiff owned a patent in salt-depositing machines and by way of a licensing agreement required all licensees to purchase salt tablets from them exclusively. *Morton Salt*, 314 U.S. at 490. The Court concluded that the plaintiff misused its patent by restraining competition in the salt tablet market and was thus disqualified from maintaining an infringement action. *Id.* at 491, 494.

The *Lasercomb* court offered further evidence of the validity of the patent misuse defense by noting Congress' acknowledgement of the doctrine in the 1988 Patent Misuse Reform Act (codified at 35 U.S.C. § 271 (d)(4),(5)). *Lasercomb*, 911 F.2d at 976. See *infra* notes 42-45 and accompanying text for discussion of the Act (Patent Misuse Reform Act limited holding in *Morton Salt*).

²⁸ *Lasercomb*, 911 F.2d at 976.

²⁹ *Id.* at 973, 976. The *Lasercomb* court traced the origin of patents and copyrights back to 16th century England, where the English Crown commonly "gave individuals exclusive rights to produce, import and/or sell given items within the kingdom." *Id.* at 974. Widespread abuse of the granted rights resulted in shortages and inflated prices forcing Parliament to prohibit the creation of such monopolies. *Id.* An exception was made to allow the grant of a patent to creators of new inventions for a period of fourteen years. *Id.* Parliament treated copyrights similarly by providing authors of original works the sole right of publication for twenty-eight years. *Id.* at 974-75. The English rationale behind the grant of both copyright and patents, as stated by the *Lasercomb* court, was to encourage the creative efforts of authors and inventors. *Id.* at 974.

The court continued the chain of development by considering the constitutional grant of congressional power to create patent and copyright laws. *Id.* at 975. The philosophy of the framers in granting the congressional power to create both intellectual property rights was that "encouragement of individual effort by personal gain is the best way to advance the public welfare through the talents of authors and inventors in 'Science and useful Arts.'" *Lasercomb*, 911 F.2d at 974-75.

The court concluded by noting that congressionally mandated patent and copyright laws serve parallel public interests in that they both "seek to increase the store of human knowledge and arts by rewarding inventors and authors with the exclusive rights to their works for a limited time." *Id.* at 976. Consequently, due to the similar origin and supporting policies, the *Lasercomb* court held that the misuse defense should apply to infringement actions brought under either proprietary right. *Id.*

provide the courts with a guide for future application of the misuse defense in copyright infringement actions.

I. A HISTORICAL PERSPECTIVE

From a narrow perspective, patents and copyrights inure to the benefit of the individual owner.³⁰ While it is true that patents and copyrights are undoubtedly intended as an incentive to promote personal achievement in the arts and sciences, their true purpose is the broader goal of advancing the public welfare.³¹ Historically, patent law has adhered to this principle of protecting the public welfare from overextension of these exclusive proprietary rights, as illustrated by the patent misuse defense.³²

A. *The Patent Misuse Defense*

In 1942, the United States Supreme Court firmly established the patent misuse defense to patent infringement actions in the landmark case of *Morton Salt, Co. v. G.S. Suppiger Co.*³³ In *Morton Salt*, both respondent and petitioner manufactured and sold salt depositing machines and salt tablets used in the canning industry.³⁴ Respondent's salt depositing machines were patented.³⁵ As a condition to the licensing agreement for their use, respondent re-

³⁰ See *Goldstein v. California*, 412 U.S. 546, 555 (1972) (discussing benefit to authors and public objectives); *Mazer v. Stein*, 347 U.S. 201, 219 (1954) (patent and copyright laws are "intended definitely to grant valuable, enforceable rights to authors, publishers, . . . without burdensome requirements . . .") (quoting *Washington, Co. v. Pearson*, 306 U.S. 30, 36 (1938)); *West Publishing Co. v. Mead Data Cent., Inc.*, 616 F. Supp. 1571, 1582 (D. Minn. 1985) (intent to motivate individual is means to achieve public purpose), *aff'd*, 799 F.2d 1219 (8th Cir. 1986), *cert. denied*, 479 U.S. 1070 (1987); *Alfred Bell & Co. v. Catalda Fine Arts*, 74 F. Supp. 973, 978 (S.D.N.Y. 1947) (intent to give artist "advantages of monopoly with a free choice of methods of exploitation . . . [and] encourage other artists to produce . . . because of the financial gain promised by such monopoly"). See generally HOLMES, *supra* note 2, § 1.01, at 1-2 (discussing constitutional objective of intellectual property rights (quoting *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974))).

³¹ See *supra* note 2 (policy behind patent and copyright law is to advance public welfare).

³² *Morton Salt, Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 491-92 (1942) (equity may require withholding aid where plaintiff uses right contrary to public policy); *Kolene Corp. v. Motor City Metal Treating, Inc.*, 440 F.2d 77, 84 (6th Cir.) (patent misuse defense based upon public policy considerations), *cert. denied*, 404 U.S. 886 (1971); Comment, *supra* note 6, at 353 (patent law places greater weight on public right to derive benefits from technology than on records given to inventors). See generally HOLMES, *supra* note 2, § 1.07, at 1-19.

³³ 314 U.S. 488 (1942).

³⁴ *Morton Salt*, 314 U.S. at 490.

³⁵ *Id.*

quired all licensees to purchase the salt tablets used in the leased machines exclusively from respondent.³⁶ Respondent charged that petitioner manufactured and leased unpatented machines which infringed on their patent.³⁷ The Court invoked the patent misuse defense, and found that respondent overextended its patent in the salt depositing machine by restraining trade in the salt tablet market through their conditional licensing agreement.³⁸ The Court, finding the competition between respondent and petitioner in the salt tablet market inconsequential, stated that it is not a requirement, in asserting the misuse defense, that the petitioner be directly affected by respondent's alleged misuse.³⁹ The Court held the patent misuse defense to be available to alleged infringers when the patent owner uses patent rights to restrain competition in the licensing or sale of unpatented products, in contravention of the public policy underlying patent law.⁴⁰ Defining "derogation of public policy," the Court averred that it is not necessary that the misuse amount to a violation of antitrust law.⁴¹

In 1988, Congress codified, with limitations, the holding in *Morton Salt*⁴² in the Patent Misuse Reform Act ("the Act").⁴³ The Act

³⁶ *Id.* at 491. "It thus appears that respondent is making use of its patent monopoly to restrain competition in the marketing of unpatented articles, salt tablets, for use with the patented machines, and is aiding in the creation of a limited monopoly in the tablets, not within that granted by the patent." *Id.* at 491.

³⁷ *Id.*

³⁸ *Id.* at 492-94. The Court held, in applying the misuse defense, that "a patent affords no immunity for a monopoly not within the grant." *Id.* at 491. A court of equity "may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest." *Id.* at 492.

³⁹ *Morton Salt*, 314 U.S. at 492-93. The Court reasoned:

[w]here the patent is used as a means of restraining competition with the patentee's sale of an unpatented product, the successful prosecution of an infringement suit even against one who is not a competitor in such a sale is a powerful aid to the maintenance of the attempted monopoly of the unpatented article, and is thus a contributing factor in thwarting the public policy underlying the grant of the patent.

Id. at 493.

⁴⁰ *Id.* at 494.

⁴¹ *Id.* at 490, 494.

⁴² *Id.* at 494. *Morton Salt* held that "[t]he patentee, like . . . other holders of an exclusive privilege granted in furtherance of a public policy, may not claim protection of his grant by the courts where it is being used to subvert that policy." *Id.* See *supra* notes 30-37 and accompanying text (discussion of *Morton Salt*).

⁴³ 35 U.S.C. § 271(d)(5) (1988). 35 U.S.C. § 271(d) provides in relevant part:

No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be *denied relief* or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the fol-

limited the use of the defense to cases where the alleged misuse occurred when the patent owner conditioned the licensing of the patented product on the acquisition of rights to, or the purchase of, a separate product.⁴⁴ For a finding of misuse to be justified under these circumstances, the Act requires that the infringer prove the patent owner has "market power in the relevant market for the patent or patented product on which the license or sale is conditioned."⁴⁵

B. The First Word on Copyright Misuse

In 1948, only six years after *Morton Salt*, in *M. Witmark & Sons v. Jensen*,⁴⁶ the United States District Court for the District of Minnesota found the overextension of copyright monopoly power in violation of antitrust laws sufficient to deprive a copyright owner of the right to relief in an infringement action.⁴⁷ The

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

Id. (emphasis added). See *infra* note 66 and accompanying text (legislative history of Patent Misuse Reform Act). See also *Lasercomb*, 911 F.2d at 976 (patent misuse statute codified, with limitations, holding in *Morton Salt*).

⁴⁴ See *supra* note 43 (quoting 1988 Patent Misuse Reform Act, 35 U.S.C. § 271(d) (1988)).

⁴⁵ 35 U.S.C. § 271(d) (1988). See *supra* note 43 and accompanying text (Patent Misuse Reform Act); *Lasercomb*, 911 F.2d at 976 (Patent Misuse Reform Act "limited but did not eliminate the [*Morton Salt*] defense."). See also 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, 196-97 (reform act did not take "sweeping and inflexible view").

⁴⁶ 80 F. Supp. 843 (D. Minn. 1948). In *Witmark*, plaintiffs contended that defendants, who operated motion picture theaters, gave public performances of plaintiffs' copyrighted musical compositions, for profit, when showing certain films. *Id.* at 844. Plaintiffs alleged that defendants infringed on their copyright by performing these compositions without first obtaining a license from plaintiffs permitting them to do so and sought damages and an injunction preventing future violations. *Id.*

⁴⁷ *Id.* at 850. The court reasoned:

[o]ne who unlawfully exceeds his copyright monopoly and violates anti-trust [sic] laws is not outside the pale of the law, but where the Court's aid is requested, as noted herein, [referring to equitable relief] and the granting thereof would tend to serve the plaintiffs in their plan and scheme . . . to extend their copyrights in a monopolistic control beyond their proper scope, it should be denied.

Id.

It is noteworthy that reference was made to the *Morton Salt* patent infringement case of as authority for the propriety of denying relief where the plaintiff used its copyright in a

court, in dicta, stated without analysis, that "[i]n view of . . . [its] finding that the copyright monopoly has been extended, it is not necessary to determine whether anti-trust [sic] violations alone would deprive plaintiffs of the right of recovery."⁴⁸ Although the *Witmark* court was the first to apply the misuse defense in a copyright context,⁴⁹ the applicability of the misuse defense to copyright infringement claims, in the absence of an antitrust violation, was left undecided until *Lasercomb*.⁵⁰ It is submitted that the *Lasercomb* court has appropriately resolved the issue by analogizing the copyright and patent policies to justify the extension of the misuse doctrine to copyright law. Nonetheless, absent a clear standard for determining what conduct constitutes misuse, the doctrine's vagueness vitiates its use.⁵¹

II. THE VAGUE STANDARD OF REVIEW

Copyrights and patents provide their owners with a limited monopoly allowing them to temporarily reap the exclusive benefits of their original works.⁵² "Misuse" occurs when the owner extends this monopoly in a manner violative of antitrust laws⁵³ or other-

manner contrary to public policy. *See id.*

⁴⁸ *Id.* at 850. It is submitted that this language implies the validity of a policy-based misuse defense to conduct that does not amount to an antitrust violation. *Cf. Morton Salt*, 314 U.S. at 494 (showing of antitrust violation unnecessary to successfully assert patent misuse defense).

⁴⁹ *See* Comment, *supra* note 6, at 355 (*Witmark* is one of first cases to consider availability of copyright misuse defense); Comment, *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.: The Copyright Misuse Doctrine*, 15 NEW ENG. L. REV. 683, 688 (1980) (*Witmark* one of few precedents endorsing copyright misuse defense); GOLDSTEIN, COPYRIGHT: PRINCIPLES, LAW & PRACTICE § 9.6.1 at 179 (1989) ("The reported decisions indicate that only one defendant has succeeded in interposing a misuse defense in those circumstances." (citing *M. Witmark & Sons v. Jensen*, 80 F. Supp. 843 (D. Minn. 1948))).

⁵⁰ *See supra* note 5 (illustrating indecisiveness of lower federal courts).

⁵¹ *See infra* notes 52-63 (vague standard of review). *See also* Brinson, *supra* note 4, at 386-89 (need for change in law of misuse); Wallace, *supra* note 2, at 819-20 (possible approaches to reform of misuse doctrine).

⁵² *See supra* note 3 (copyright and patent defined).

⁵³ *See* *Mercoid Corp. v. Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680, 684 (1944) (denial of relief to patentee follows from antitrust violation); *In re Yarn Producing Patent Validity Litigation*, 541 F.2d 1127, 1130 (5th Cir. 1976) (patentee loses power to enforce patent if it is used in violation of antitrust laws), *cert. denied sub nom. Lex Tex Ltd., Inc. v. Universal Textural Yarns, Inc.*, 433 U.S. 910 (1977); *I.C.E. Corp. v. Armco Steel Corp.*, 201 F. Supp 411, 414 (S.D.N.Y. 1961) (violation of antitrust laws is defense in infringement action); *Clapper v. Original Tractor Cab Co.*, 165 F. Supp 565, 576 (S.D. Ind. 1958) (antitrust violation bars recovery in patent infringement action), *aff'd in part, rev'd on other*

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wise contrary to public policy.⁶⁴ While this definition of "misuse" is widely accepted,⁶⁵ its method of application is uncertain.⁶⁶ Although misuse which rises to the level of an antitrust violation can

grounds, 270 F.2d 616 (7th Cir. 1959), *cert. denied*, 361 U.S. 967 (1960). *See also* American Infra-Red Radiant Co. v. Lambert Indus., Inc., 238 F. Supp. 176, 186 (D. Minn. 1965) (found no misuse; antitrust violation not sufficiently proven), *aff'd in part, rev'd on other grounds*, 360 F.2d 977 (8th Cir.), *cert. denied*, 385 U.S. 920 (1966). *See generally* HOLMES, *supra* note 2, § 1.07, at 1-19 (courts may enjoin infringement action when patent misused in violation of antitrust laws); Wallace, *supra* note 2, at 318 (misuse frequently involves antitrust violation). Nonetheless, *Witmark* antitrust violations were not judicially recognized as a valid defense to copyright infringement actions until *Lasercomb*. *See* Rural Tel. Serv. Co., v. Feist Publications, Inc., 663 F. Supp. 214, 220 (D. Kan. 1987) (antitrust violations do not constitute defense to copyright infringement), *aff'd*, 916 F.2d 718 (10th Cir.), *cert. denied in part*, 111 S. Ct. 40 (1990); Midway Mfg. Co. v. Artic Int'l, Inc., 211 U.S.P.Q. 1152, 1160-61 (N.D. Ill. 1981) (same); Orth-O-Vision, Inc. v. Home Box Office, 474 F. Supp. 672, 686 (S.D.N.Y. 1979) (rationale of patent actions brought in *Mercoid* and *Morton Salt* does not extend to copyrights); Harms, Inc. v. Sansom House Enter. Inc., 162 F. Supp. 129, 135 (E.D. Pa. 1958) (evidence of antitrust violation irrelevant in copyright action), *aff'd sub nom.* Leo Feist, Inc. v. Lew Tendler Tavern, Inc., 267 F.2d 494 (3d Cir. 1959).

⁶⁴ *See* *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 492 (1942) (courts can withhold aid when plaintiff uses patent right contrary to public policy); *Compton v. Metal Prods., Inc.*, 453 F.2d 38, 42 (4th Cir. 1971) (use of patent in manner contrary to public policy is misuse); *Well Surveys, Inc. v. Perfo-Log, Inc.*, 396 F.2d 15, 16 (10th Cir.) (same), *cert. denied*, 393 U.S. 951 (1968); *Marvel Specialty Co. v. Bell Hosiery Mills, Inc.*, 216 F. Supp. 824, 829 (W.D.S.C. 1963) (same), *aff'd in part, rev'd on other grounds*, 330 F.2d 164 (4th Cir.), *cert. denied*, 379 U.S. 899 (1964). *See also* *Valmont Indus., Inc. v. Yuma Mfg. Co.*, 296 F. Supp. 1291, 1295 (D. Col. 1969) (adverse effect on public interest is primary concern in misuse doctrine). *But see* *USM Corp. v. SPS Technologies, Inc.*, 694 F.2d 505, 510 (7th Cir. 1982) (concept of preventing patent owner from using patent in manner contrary to public policy is "too vague a formulation to be useful"), *cert. denied*, 462 U.S. 1107 (1983). *See generally* GOLDSTEIN, COPYRIGHT: PRINCIPLES, LAW AND PRACTICE § 9.6.2 (1988) (discussing misconduct other than anticompetitive behavior warranting application of misuse doctrine); 3 P. ROSENBERG, PATENT LAW FUNDAMENTALS §16.05[2], at 16-75 (2d ed. 1990) (courts will not protect patent that is used contrary to public policy); Note, *Trade Regulation — Attempted Partial Monopoly of Unpatented Product as Defense to Suit for Direct Infringement*, 42 COLUM. L. REV. 882, 885 (1942) (patent statute will not protect patent used in way contrary to public policy).

⁶⁵ *See supra* notes 53-54 (cases representing judicial recognition of misuse definition).

⁶⁶ *See* *Brinson, supra* note 4, at 373-75 (discussing controversy in application of misuse doctrine). Some courts will find misuse only where there is an antitrust violation. *See, e.g.,* *Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191, 1200 (7th Cir. 1987) (copyright is not misused unless use results in violation of antitrust law); *USM Corp.*, 694 F.2d at 512 (misuse defense must be evaluated under antitrust principles). Other courts do not require the antitrust violation to be proven in order to find copyright or patent owners guilty of misuse. *See* *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 140 (1969) (misuse can be found without rising to level of antitrust violation); *Transparent-Wrap Mach. Corp. v. Stokes & Smith Co.*, 329 U.S. 637, 641 (1947) (misuse does not depend on showing antitrust violation); *Senza-Gel Corp. v. Seiffhart*, 803 F.2d 661, 668 (Fed. Cir. 1986) (summary judgment granted on patent misuse defense even though evidence only established one element of antitrust violation); *Berlenbach v. Anderson & Thompson Ski Co.*, 329 F.2d 782, 784 (9th Cir.) ("misuse [need not] be of such gravity as to violate Clayton Act"), *cert. denied*, 379 U.S. 830 (1964).

be evaluated by applying the facts to statutorily defined antitrust principles,⁵⁷ the difficulty arises when the misuse is less severe. In these situations, courts must determine whether a copyright or patent has been used in a manner "contrary to public policy."⁵⁸ Critics of the misuse doctrine emphatically argue that the "contravention of public policy" ground is "too vague a formulation to be useful."⁵⁹ Nevertheless, courts have failed to set forth an adequate or reasonable standard of review.⁶⁰ In recognition of this problem, some courts have found misuse only where there is an antitrust violation, refusing to consider the poorly defined "contravention of public policy" ground.⁶¹ Allowing this vague standard

⁵⁷ See Sherman Act, 15 U.S.C. § 1-7 (1973); Clayton Act, 15 U.S.C. § 12-27 (1973). The basic purpose of these Acts is to prohibit monopolistic behavior and conduct which constitute restraint of trade. See *Appalachian Coals, Inc. v. United States*, 288 U.S. 344, 359 (1933) (purpose of antitrust act is to prevent restraints on commerce and protect against monopolistic endeavors); *D.R. Wilder Mfg. Co. v. Corn Prod. Ref. Co.*, 236 U.S. 165, 173-74 (1915) (antitrust laws prevent "conspiracies in restraint of trade or commerce, the monopolization of trade or commerce or attempts to monopolize the same"); *United States v. American Tobacco Co.*, 221 U.S. 106, 114 (1911) (purpose of Sherman Act was to prevent monopolistic behavior); *Standard Oil Co. v. United States*, 221 U.S. 1, 12 (1911) ("Sherman Act is intended to prevent monopolizing or attempts to monopolize."); *Ruddy Brook Clothes, Inc. v. British Foreign & Marine Ins. Co.*, 103 F. Supp. 290, 292 (N.D. Ill. 1951) (purpose of antitrust laws to prevent restrictions on trade and protect public from monopolistic efforts) (citing *Appalachian Coals*, 288 U.S. at 359), *aff'd*, 195 F.2d 86 (N.D. Ill.), *cert. denied*, 344 U.S. 816 (1952). See generally Note, *Vertical Patent Misuse*, 61 S. CAL. L. REV. 216, 217-19 (1987) (discussion of relationship between patent misuse and antitrust laws).

⁵⁸ See *USM Corp.*, 694 F.2d at 510 (finding of misuse when patent is used in manner contrary to public policy is "too vague a formulation to be useful"); *Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191, 1200 (7th Cir. 1987) (follows *USM Corp.*); *Rikers Laboratories, Inc. v. Gist-Brocades N.V.*, 208 U.S.P.Q. 777, 781 (D.C. Cir. 1980) (parameters of patent misuse are indistinct). *But see, e.g.*, *M. Witmark & Sons v. Jensen*, 80 F. Supp. 843, 850 (D. Minn. 1948) (public policy violation sufficient to implicate misuse defense). See generally Brinson, *supra* note 4, at 369-75 (criticizing misuse doctrine).

⁵⁹ *USM Corp.*, 694 F.2d at 510. See 134 CONG. REC. S17146-02 (daily ed. Oct. 21, 1988) (statement of Sen. Leahy) ("courts impose the misuse doctrine using vague and shifting public policy grounds").

⁶⁰ See 4 D. CHISUM, PATENTS § 19.04, at 19-91 (1989) (no clear and general theory for determining misuse). See also 134 CONG. REC. S17146-02 (daily ed. Oct. 21, 1988) (statement of Sen. Leahy). In discussing the 1988 Patent Misuse Reform Act, Senator Leahy emphasized the fact that no clear theory exists for determining whether behavior is misuse. *Id.*

⁶¹ See *supra* note 6 (cases finding misuse only where there is antitrust violation). The legislature has clearly expressed a desire to limit the availability of the misuse defense solely to instances where improper behavior constitutes a violation of antitrust laws. See 134 CONG. REC. H10646-02 (daily ed. Oct. 20, 1988) (statement of Rep. Kastnermeier) (advocating requirement that courts find patent holder guilty of misuse in limited circumstance where conduct constitutes violation of antitrust laws); Brinson, *supra* note 4, at 388 (citing American Bar Association Patent, Trademark and Copyright Law Committee's report con-

of review to perpetuate has led to a lack of uniformity in federal court decisions,⁶² as well as a deprivation of copyright and patent interests in cases where trivial misuse was found to be "contrary to public policy" and sufficient to deprive an owner of the right to bring an infringement action.⁶³

It is therefore submitted that the *Lasercomb* court fell short in its analysis by failing to provide a useful guide for defining the degree of conduct, contrary to public policy, that constitutes misuse.

III. SUGGESTED STANDARD OF REVIEW

It is submitted that the vague "contrary to public policy" standard is incapable of yielding equitable results absent definitive guidelines for its application. Reflective of similar dissatisfaction with this vague standard pronounced originally in *Morton Salt*, the legislature enacted the 1988 Patent Misuse Reform Act to narrow the doctrine as it was applied in that case.⁶⁴ Since the copyright

taining 1984 legislative proposal to deny relief for infringement only where copyright owner violated antitrust laws).

⁶² Compare *Lasercomb*, 911 F.2d at 979 (found no-contest clause to constitute misuse absent evidence of antitrust violation) with *Rumbleseat Press*, 816 F.2d at 1200 (found no-contest clause valid because no evidence of antitrust violation presented). See generally 134 CONG. REC. S17146-02 (daily ed. Oct. 21, 1988) (statement of Sen. Leahy) ("courts have been inconsistent in their application of the misuse doctrine to analogous practices"); D. CHISUM, PATENTS § 19.04, at 19-91 (1989) ("[d]ecisions considering analogous practices are not always consistent").

⁶³ See 134 CONG. REC. S17146-02 (daily ed. Oct. 21, 1988) (statement of Sen. Leahy). "[C]ourts have relied on the policy of antitrust laws to find patent misuse . . . without regard to competitive implications." *Id.* See, e.g., *Compton v. Metal Prods., Inc.*, 453 F.2d 38, 42 (4th Cir. 1971) (no-compete clause extended beyond patent legal time limit is *per se* misuse); *Berlenbach v. Anderson & Thompson Ski Co.*, 329 F.2d 782, 785 (9th Cir.) (illegal licensing clause is *per se* misuse), *cert. denied*, 379 U.S. 830 (1964); *Duplan Corp. v. Deering Milliken, Inc.*, 444 F. Supp. 648, 697 (D.S.C. 1977) (patent tie-in was *per se* misuse absent business necessity for patentee on equivalent alterations for customer), *aff'd in part, rev'd on other grounds*, 594 F.2d 979 (4th Cir. 1979), *cert. denied*, 444 U.S. 1015 (1980). But see *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 202 (1980) (existence of tie-in insufficient to activate patent misuse defense).

⁶⁴ See *supra* notes 43-45 (Patent Misuse Reform Act). The bill (S.438) originally proposed was more restrictive, suggesting that the subsection read as follows:

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his or her licensing practices or action or inactions relating to his or her patent, unless such practices or actions or inactions, in view of the circumstances in which such practices or actions or inactions are employed, violate the antitrust laws.

misuse defense follows *a priori* from its patent law counterpart,⁶⁵ it is further submitted that the patent law restriction, codified in the Act, requiring "market power in the relevant market" is a suitable precondition to raising the defense in copyright infringement actions. Although the Act did not explicitly define these terms, legislative history reveals an intent to apply antitrust concepts of "market power" and "the relevant market."⁶⁶ In this respect "relevant market" is defined as the area of trade or part of commerce in which the parties involved operate, usually consisting of products that are reasonably interchangeable with the misuser's product.⁶⁷ "Market power" typically refers to the power to "control prices or exclude competition."⁶⁸ In an effort to avoid the use of

MACPHERSON, RECENT PATENT MISUSE LEGISLATION, 270 PLI/Pat 285 (1989) (Practicing Law Institute).

⁶⁵ *Lasercomb*, 911 F.2d at 977. See *M. Witmark & Sons v. Jensen*, 80 F. Supp. 843, 850 (D. Minn. 1948).

⁶⁶ See 134 CONG. REC. H10646-02 (daily ed. Oct. 20, 1988) (statement of Rep. Kastentmeier). "We do expect, however, that the courts will be guided though not bound by . . . decisions of the Supreme Court in the context of antitrust analysis . . ." *Id.* "[T]he scope of the [relevant] market should resemble the typical antitrust analysis . . ." *Id.* See also 134 CONG. REC. S17146-02 (daily ed. Oct. 21, 1988) (statement of Sen. Leahy). "We . . . expect any 'market power' determination made for patent misuse purposes to be the same as that used with respect to an antitrust matter relating to the same factual circumstances." *Id.* See generally HOLMES, *supra* note 2, § 1.07, at 1-23 (discussing Congress' intent to apply antitrust principles when evaluating "market power in the relevant market").

⁶⁷ See *Nifty Foods Corp. v. Great Atl. & Pac. Tea Co.*, 614 F.2d 832, 840 (2d Cir. 1980) ("Goods are in the relevant product market if they are reasonabl[y] interchangeabl[e] for the same purposes for which they are produced . . .") (quoting *United States v. E.I. Du Pont de Nemours & Co.*, 351 U.S. 377, 404 (1956)); *T.V. Signal Co. of Aberdeen v. American Tel. & Tel. Co.*, 462 F.2d 1256, 1260 (8th Cir. 1972) (relevant market is area of "effective competition" within which parties operate); *American Football League v. National Football League*, 323 F.2d 124, 129 (4th Cir. 1963) (relevant market is area of commerce which defendant "sought to appropriate to itself"); *Shaw v. Rolex Watch, U.S.A., Inc.*, 673 F. Supp. 674, 678 (S.D.N.Y. 1987) ("relevant product market includes all products that are reasonably interchangeable"); *Becker v. Safelite Glass Corp., Inc.*, 244 F. Supp. 625, 637 (D. Kan. 1965) (limits of relevant market "are fixed by the area which the defendants allegedly sought to appropriate to themselves"). See generally HOLMES, *supra* note 2, § 6.02[1], at 6-4 to 6-9 (defining relevant market).

⁶⁸ *United States v. E.I. Du Pont de Nemours & Co.*, 351 U.S. 377, 391 (1956). See *United States v. Grinnell Corp.*, 384 U.S. 563, 571 (1966) (market power is power to control prices and exclude competition); *American Tobacco Co. v. United States*, 328 U.S. 781, 811 (1946) (same); *Robinson v. Magovern*, 521 F. Supp. 842, 879 (W.D. Pa. 1981) (same), *aff'd*, 688 F.2d 824 (3d Cir.), *cert. denied*, 459 U.S. 971 (1982).

A number of evidentiary methods can be used to establish that the defendant has [market] power. Proof that the defendant accounts for a high percentage of the total firm sales within the market . . . can be particularly compelling evidence . . . as can be evidence that the defendant has actually exercised price leadership control over the industry or has taken affirmative actions that have excluded actual or potential

inflexible rules, the framers of the Act chose not to define for the courts the level of market power required.⁶⁹ Instead, they suggested that the courts evaluate market power in the context of the facts presented, retaining a sensitivity to the "realities of the market place."⁷⁰

The purpose of instituting the threshold requirement of "market power in the relevant market" is to "permit the courts to reasonably assess the potential for anticompetitive effect of a particular practice."⁷¹ It is submitted that misuse by a copyright owner lacking market power will result in a de minimis effect on the relevant market and, therefore, should not warrant consideration of the misuse defense. Pragmatically, this threshold requirement limits the assertion of the defense in cases of trivial misuse,⁷² while having the incidental effect of promoting judicial economy.⁷³

The statutory guide provided by the Act is helpful, but not curative.⁷⁴ Once the initial requirement is met to the court's satisfaction, a balancing test should be applied to determine whether the conduct constitutes misuse.⁷⁵ This test should weigh the interests

competitors. Other useful indicators . . . include the size and competitive strengths of the defendant vis a vis its competitors . . .

HOLMES, *supra* note 2, § 6.02[2], at 6-9 to 6-11.

⁶⁹ 134 CONG. REC. H10646-02 (daily ed. Oct. 20, 1988) (statement of Rep. Kastenmeier). Representative Kastenmeier explained: "We have chosen not to adopt a specific modifier for 'market power' such as 'substantial' The absence of a modifier is designed to avoid the use of inflexible rules." *Id.* "Inflexible . . . rules work to the benefit of infringers and unnecessarily raise litigation costs and risks to patent owners." 134 CONG. REC. S17146-02 (daily ed. Oct. 21 1988) (statement of Sen. Leahy).

⁷⁰ 134 CONG. REC. H10646-02 (daily ed. Oct. 20, 1988) (statement of Rep. Kastenmeier).

⁷¹ *Id.* See *Federal Trade Comm'n v. Indiana Fed'n of Dentists*, 476 U.S. 447, 460 (1986) (purpose of evaluating market power in relevant market is to "determine whether an arrangement has the potential for genuine adverse effects on competition").

⁷² See *supra* note 60 (discussion of trivial misuse).

⁷³ See 134 CONG. REC. S17146-02 (daily ed. Oct. 21, 1988) (statement of Sen. Leahy) (*per se* misuse rules which result in finding of trivial misuse "unnecessarily raise litigation costs").

⁷⁴ See 35 U.S.C. § 271(d)(5) (1988). It is submitted that because the Patent Misuse Reform Act only defines the standard of review for a situation where the licensing of a patented item is conditioned on the sale or acquisition of another unpatented item, its usefulness is limited.

⁷⁵ See *Alfred Bell & Co. v. Catalda Fine Arts*, 191 F.2d 99, 106 (2d Cir. 1951). The court in *Catalda*, after finding that the defendant had infringed, proceeded to consider the policy-based "unclean hands" defense by utilizing a balancing test weighing two conflicting policies: "(a) that of preventing piracy of copyrighted matter and (b) that of enforcing the anti-trust laws." *Id.* The factors taken into account were: "the comparative innocence or guilt of the parties, the moral character of their respective acts, the extent of the harm to

of the copyright owner in the exploitation of his copyright⁷⁶ against the public's interest in preserving competition by preventing monopolistic behavior.⁷⁷ Factors to be considered are the degree of the overextension of monopoly power by the copyright owner,⁷⁸ the likelihood and severity of a negative effect on the market resulting from the anticompetitive conduct,⁷⁹ and the severity of the infringement.⁸⁰ It is submitted that this standard will formalize an analysis so as to avoid indiscriminate application of the law, and insure equitable results in copyright infringement cases where the misuse defense is asserted.

CONCLUSION

After viewing the copyright misuse defense from a historical perspective, having considered the like treatment afforded copyright and patent law by the Constitution and having compared the analogous patent misuse legislation, it is both logical and rational to affirm the validity of its use. While the court in *Lasercomb* was justifiably resolute as to the existence of the copyright misuse defense, it failed to set forth a standard for its application. This Comment has proposed a standard of review that incorporates and expands the legislative restrictions placed on the patent mis-

the public interest, [and] the penalty inflicted on the plaintiff if we deny it relief." *Id.* See also *Hodash v. Block Drug Co.*, 833 F.2d 1575, 1577 (Fed. Cir. 1987) (in determining existence of patent misuse defense court must consider actions of both plaintiff and defendant), *cert. denied*, 485 U.S. 1007 (1988); *Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191, 1200 (7th Cir. 1987) (advocating use of balancing test weighing pros and cons of no contest clause on case by case basis when evaluating misuse); 134 CONG. REC. S17146-02 (daily ed. Oct. 21, 1988) (statement of Sen. Leahy) ("a balancing test of circumstances . . . must be employed" when evaluating misuse). See generally *Oddi, Contributory Infringement/Patent Misuse: Metaphysics and Metamorphosis*, 44 U. PITT. L. REV. 73 (1982) (doctrine of patent misuse can be equitably balanced).

⁷⁶ *Austin v. Steiner*, 207 F. Supp. 776, 779 (N.D. Ill. 1962) (copyright provides "exclusive right to publish, copy and vend . . . compositions"). See also *supra* notes 2, 3 and accompanying text (statutory rights granted to copyright owner).

⁷⁷ See *Appalachian Coals, Inc. v. United States*, 288 U.S. 344, 359 (1933) (purpose of Antitrust Act to prevent restraint on commerce and protect against monopolistic endeavors). See also *supra* note 57 (cases stating purpose of antitrust laws to preserve competition).

⁷⁸ See *Catalda*, 191 F.2d at 106. This factor was derived from the *Catalda* court's balancing of the "innocence or guilt of the parties." *Id.*

⁷⁹ *Id.* This factor was derived from the *Catalda* court's evaluation of "the extent of the harm to the public interest." *Id.*

⁸⁰ *Id.* This factor was also derived from the *Catalda* court's balancing of the "innocence or guilt of the parties." *Id.*

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use defense into a balancing test that remains cognizant of underlying public policy considerations. It is suggested that such formalistic guidelines will aid the courts in applying the copyright misuse defense so as to achieve its intended purpose: to encourage the preservation of competition by those with sanctioned monopolistic power.

Christina Ambrosio & Roni Schneider

