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# First Amendment Based Copyright Misuse

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## First Amendment Based Copyright Misuse

*David S. Olson*\*

### Abstract

We are at a crossroads with respect to the under-developed equitable defense of copyright misuse. The defense may go the way of its sibling, antitrust-based patent misuse, which seems to be in a state of inevitable decline. Or—if judges accept the proposal of this Article—courts could reinvigorate the copyright misuse defense to better protect First Amendment speech that is guaranteed by statute, but that is often chilled by copyright holders misusing their copyrights to control other's speech.

The Copyright Act serves First Amendment interests by encouraging authors to create works. But copyright law can also discourage the creation of new works by preventing subsequent creators from using copyrighted work to make their own, new speech. Courts have long recognized this inherent tension, and have also recognized that the conflict should sometimes be decided in favor of allowing a subsequent speaker the right to make unauthorized use of others' copyrighted works. Accordingly, courts created, and Congress codified, the fair use defense to copyright infringement, which allows unauthorized use of copyrighted works under certain circumstances that encourage speech and creation of transformative works. The problem with fair use, however, is that the informational uncertainties and transaction costs of litigating the defense make the fair use right unavailable to many as a practical matter. Subsequent creators are left open to intimidation by copyright holders threatening infringement suits. By decoupling the copyright misuse defense from its basis in antitrust principles and basing it in First Amendment speech principles, the legal protections for fair use shift from theoretical rights to practical rights for many. Copyright misuse has two deterrent features that will allow fair use as a practical right. First, a copyright holder's misuse of its copyrights against anyone can be used to prove the defense of misuse. Second, once misuse is found, the copyright owner loses its ability to enforce its copyright against everyone, at least until the misuse is cured. Thus, by defining as copyright misuse the unjustified chilling of speech that some copyright holders perpetrate, the misuse defense will encourage important speech rights that are currently under-protected.

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### Introduction

We are at a crossroads with respect to the under-developed equitable defense of copyright misuse. The defense may go the way of its sibling, antitrust-based patent misuse, which seems to be in a state of inevitable decline. Or—if judges accept the proposal of this Article—courts could reinvigorate the copyright misuse defense to make it serve as a protector of statutorily guaranteed First Amendment speech.

The Copyright Act serves First Amendment interests by encouraging authors to create works. The Copyright Act grants authors exclusive rights to their works, and thus, if they create works that the public is willing to buy, they can profit from their creations. But copyright law can also deter speech, and discourage the creation of new works, by preventing subsequent creators from using copyrighted work to make their own, new speech.<sup>1</sup> Courts have long recognized this inherent tension, and have also recognized that the conflict should sometimes be decided in favor of allowing a subsequent use of another’s copyrighted work. For instance, there is a strong First Amendment interest in allowing rival politicians to quote their opponents’ speeches when campaigning for office without permission. There are similar strong First Amendment interests in critique or commentary on books, articles, plays, music, visual art, and other forms of expression, as well as in the quotations of historical and literary figures in works analyzing such figures. Any effective commentary, critique, or scholarship will generally need to quote the works being analyzed. Courts recognized early on, however, that if copyright owners could prohibit quotations from their works by critics and commentators, only favorable commentators would ever be given permission to quote from copyrighted works, and free speech would be curtailed.

It was because of this recognized value of the speech interests involved in the unauthorized use of copyrighted works that courts created,<sup>2</sup> and Congress later codified,

<sup>1</sup> Eldred v. Ashcroft, 537 U.S. 186, 221 (2003).

<sup>2</sup> See Lorelei Ritchie de Larena, *What Copyright Teaches Patent Law About “Fair Use” and Why Universities are Ignoring the Lesson*, 84 OR. L. REV. 779, 799-800 (2005) (“while the copyright doctrine of fair use was not codified by Congress until 1976, the

the fair use defense to copyright infringement.<sup>3</sup> The statutory test for fair use sets out four factors for analyzing whether an unauthorized use of a copyrighted work is socially valuable enough to overcome whatever harm it does to the (mostly financial) interests of the copyright holder in preventing use of his work.<sup>4</sup> I believe that the fair use test does an admirable job of setting out the factors a court should consider to determine whether an unauthorized use of a copyrighted work should be allowed.

The problem with the fair use test, however, is that while it looks great on paper, the informational uncertainties and transaction costs of litigating to a fair use determination make the fair use right unavailable to many as a practical matter. The fair use test requires detailed consideration of the copyright and speech interests at issue.<sup>5</sup> The nuance and sensitivity of the test often make it difficult for parties to know their legal rights without litigating.<sup>6</sup> This level of uncertainty leaves those who would make probable fair use of a copyrighted work vulnerable to threats of copyright infringement.<sup>7</sup> The possibility of being assessed statutory damages and attorneys' fees that can be many multiples above any actual damages further deters people from making fair use of copyrighted material.<sup>8</sup> And in the most egregious cases, copyright holders can deter obvious fair use by threatening to sue the user of their copyrighted works because the cost of defending a fair use suit is quite high.

This unfortunate situation is well known in copyright literature,<sup>9</sup> and commentators have made numerous suggestions regarding how to change copyright law or the fair use defense to alleviate this problem.<sup>10</sup> Suggested legislative changes have for

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doctrine existed previously in common law”).

<sup>3</sup> 17 U.S.C. § 107.

<sup>4</sup> *Id.* The four factors are: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.

<sup>5</sup> *Id.*

<sup>6</sup> See LAWRENCE LESSIG, *FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL CREATIVITY* 292 (2004).

<sup>7</sup> John A. Fonstad, Comment, *Protecting Fair Use with Fogerty: Toward a New Dual Standard*, 40 U. MICH. J.L. REFORM 623, 635 (2007).

<sup>8</sup> Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 WM. & MARY L. REV. 439, 443 (2009).

<sup>9</sup> See Michael W. Carroll, *Fixing Fair Use*, 85 N.C. L. REV. 1087, 1096, 1099 (2007); J. Cam Barker, Note, *Grossly Excessive Penalties in the Battle Against Illegal File-Sharing: The Troubling Effects of Aggregating Minimum Statutory Damages for Copyright Infringement*, 83 TEX. L. REV. 525, 526 (2004) (“[T]he resulting penalty [for infringement] can become so large that it becomes grossly excessive in relation to any legitimate interest in punishment and deterrence.”); see generally Ben Depoorter, *Technology and Uncertainty: The Shaping Effect on Copyright Law*, 157 U. PA. L. REV. 1831, 1859-60 (2009); Samuelson & Wheatland, *supra* note 8 at 443; Carroll, *supra* note 7 at 1096, 1099; R. Polk Wagner, *The Perfect Storm: Intellectual Property and Public Values*, 74 FORDHAM L. REV. 423, 429 (2005).

<sup>10</sup> See *infra* notes 126 - 149 and accompanying text.

the most part fallen on deaf ears, however. This is not surprising given that content owners have more organization and lobbying power than diverse persons who would like to make fair use of copyrighted works.<sup>11</sup> And while some of the suggested changes to judging fair use cases may yet be adopted by courts,<sup>12</sup> the chasm between statutory and practical fair use rights remains wide.

Sophisticated copyright owners know this, and they are able to misuse their copyrights—by threatening litigation without a good-faith basis, or by tying demands for editorial control to licenses to use their works—in order to make practically unavailable those fair use rights that are explicitly granted by law. A solution—or at least a partial solution—is available, however. The solution I propose would not require any changes to the substantive rights of copyright holders or of fair users.<sup>13</sup> Each person’s rights would be exactly as they are set out by statute. Instead, my proposal would increase the practical availability of the statutorily-granted fair use right.

“Copyright misuse” currently exists as an underdeveloped equitable defense to copyright infringement. The problem is that the defense developed as an analog to “patent misuse,” and like patent misuse, courts tend to focus primarily on antitrust issues in determining whether the copyright misuse defense should apply. I argue in this Article that copyright misuse should be decoupled from its basis in antitrust principles, and instead should be based primarily in First Amendment speech principles. This would be beneficial for two reasons. First, antitrust-based copyright misuse may inevitably be on the decline due to a strong attack on the misuse defense (whether in patent or copyright cases) by critics who argue that antitrust concerns are poorly addressed through the misuse defense. Second, just as antitrust concerns can be addressed directly by antitrust law, the chilling of legally protected First Amendment speech by aggressive copyright holders can best be curbed by a copyright misuse defense that focuses specifically on free speech interests. Specifically, First Amendment based copyright misuse would occur when a copyright holder used its copyright to (1) threaten litigation in the face of obvious fair use, (2) seek to deter areas of inquiry through litigation threats, or (3) grant licenses to quote from or use copyrighted works only if the user grants the copyright holder improper editorial control.<sup>14</sup>

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<sup>11</sup> See Fonstad, *supra* note 7 at 623.

<sup>12</sup> See, e.g., Joseph P. Liu, *Copyright and Time: A Proposal*, 101 MICH. L. REV. 409 (2002).

<sup>13</sup> Although many of the reforms that scholars have suggested to copyright law or fair use have merit (see *infra* notes 126 - 149 and accompanying text), I believe that generally section 107 of the Copyright Act does a fairly good job of balancing the interests of copyright holders and users of copyrighted works. I think the frustration that drives many reform proposals is that the time, expense, and uncertainty of the fair use defense make it easy for copyright holders to threaten litigation to deter even obvious fair use. I believe my proposed copyright misuse defense based in First Amendment principles would make fair use more practically available, and thus lessens the need for reforms to copyright law or fair use.

<sup>14</sup> Improper editorial control would not include a copyright owner controlling the content of someone the copyright holder has engaged to work at its direction—such as a screenwriter writing a screenplay from a book. Rather, to qualify as misuse the copyright holder must be seeking to gain editorial control to prevent speech from being made that

The copyright misuse defense might not seem to pack much punch at first—after all why would a copyright holder care if occasionally its threats or licensing behavior is called unfair? But two unique features of copyright misuse as it exists currently make it a powerful defense. First, an accused infringer can defend on the basis of copyright misuse by proving that the copyright owner misused its copyright *against anyone*—not just against the defendant to the suit. Thus, if a copyright owner used its copyrights to deter obvious fair use by a third party unrelated to the suit being litigated, that misuse as to the third party would nevertheless be the grounds for a misuse finding in the current litigation. This means that a copyright holder would have to behave properly towards all users of its copyrights, not just toward whomever it chooses to sue. Second, the remedy for copyright misuse is that courts refuse to enforce the misuser's copyrights *against anyone*. The misuser may eventually cure the misuse and make its copyrights enforceable again, but in the meantime it will not be allowed to enforce its copyrights against even blatant infringers. For copyright owners making significant income from their copyrights, this will serve as a significant incentive to avoid behavior even near the line of misuse.

I begin in Part I by giving examples to show the severity of the problem and the ways in which constitutionally protected speech that qualifies as fair use is deterred under the current regime. In Part II, I discuss the way that the legal right to fair use is often not practically available. Specifically, I consider the current dynamics of copyright law that give copyright holders the ability to chill statutorily protected fair use of copyrighted material, while would-be fair users have few tools with which to deter overly aggressive copyright holders. In Part III, I review proposed reforms to better enable the actual use of statutorily-granted fair use rights. In Part IV, I examine the evolution of copyright misuse from its basis in antitrust-based patent law to the present in which a few courts have recognized that it is a defense that can serve interests other than antitrust, including public policy interests underlying copyright law. I also discuss the critiques of an antitrust-based misuse defense, and why these strong critiques make basing copyright misuse in antitrust unwise and uncertain. In Part V, I set forth the argument for basing the defense of copyright misuse prominently on First Amendment speech principles instead of on antitrust principles. I explore the implications of shifting the basis for the copyright misuse defense to First Amendment principles, and set forth some examples of what copyright misuse based firmly in the First Amendment will look like.

## I. THE (MIS)USE OF COPYRIGHT TO CHILL SPEECH AND INQUIRY

The aggressive use of copyright, whether out of a desire to extract maximum profits for copyrighted works, or out of a desire to control others' speech, often leads to chilling of valuable speech that is, or likely would be, protected by the fair use defense to copyright infringement.<sup>15</sup> Instances of such aggressive use of copyright without regard for fair use are legion,<sup>16</sup> particularly when it comes to copyrights held by authors' estates.

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the copyright owner does not like or to prevent discussion of some areas of inquiry.

<sup>15</sup> Alfred C. Yen, *Eldred, the First Amendment, and Aggressive Copyright Claims*, 40 Hous. L. Rev. 673, 695 (2003).

<sup>16</sup> *See id.* at 677-78. Estates may be more aggressive in all aspects of copyright

For example, the Estate of Martin Luther King, Jr. has been criticized for demanding payments for use of Dr. King's words from news media and historians who use excerpts from King's speeches, many of which uses are plainly fair use.<sup>17</sup>

Sometimes the King Estate seems to simply be threatening litigation so that it can be paid a license fee for use of its copyrights. Of course the Estate has a right to be paid for uses of its copyrighted works, but the Estate seems to seek fees indiscriminately in cases of commercialization and of protected fair use alike. In 2000, the Estate settled a four-year litigation against CBS, in which the King Estate had sought to enjoin CBS from using footage CBS had shot of Dr. King's famous "I Have a Dream" speech in a documentary.<sup>18</sup> Although the settlement terms were confidential, the parties reported that CBS would retain the right to use the footage in exchange for a contribution of an undisclosed amount to the Martin Luther King, Jr. Center for Non-Violent Social Change in Atlanta.<sup>19</sup> Just after Barack Obama's election as president in 2008, the King Estate said that it was considering suing unauthorized sellers of merchandise showing King and Obama with slogans like "The Dream Is Reality."<sup>20</sup> These are particularly aggressive moves given that short phrases like "I have a dream" are not covered by copyright law,<sup>21</sup>

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enforcement in part because the pressures on trustees of authors' estates to maximize revenue from the estates' copyrights may be greater than the pressure on an author herself. An author can agree that a use is fair, or can be permitted pursuant to a royalty-free license, without worrying that she will be criticized and perhaps held liable for not maximizing revenue from her copyrights. A trustee of an author's estate, however, both has a fiduciary duty to the estate, and may have financially-motivated beneficiaries of the estate looking over his shoulder and second-guessing decisions to forgo revenue that might have been available through use of aggressive techniques with regard to copyrighted works. For excellent discussions of how authors' estates continue to exercise control over copyrighted works after an author dies, see Olufunmilayo B. Arewa, *Copyright on Catfish Row: Musical Borrowing, Porgy and Bess, and Unfair Use*, 37 RUTGERS L.J. 277, 315-327 (2006); Justin Hughes, *Fair Use Across Time*, 50 UCLA L. REV. 775, 794 (2003); RAY MADOFF, IMMORTALITY AND THE LAW: THE RISING POWER OF THE AMERICAN DEAD 144-46 (2010).

<sup>17</sup> Robbie Brown, *King Estate Considering Suit Over Unlicensed Obama Items*, N.Y. TIMES, November 15, 2008, at A9 ("In recent years, the King family has come under criticism from . . . scholars who believe that the family is being overprotective of Dr. King's legacy, in particular for suing news organizations and historians who use excerpts from his speeches without paying the family.").

<sup>18</sup> *King Estate Settles Lawsuit Against CBS Over Rights To 'I Have A Dream' Speech*, JET, July 31, 2000 available at [http://findarticles.com/p/articles/mi\\_m1355/is\\_8\\_98/ai\\_63974332/?tag=content;coll](http://findarticles.com/p/articles/mi_m1355/is_8_98/ai_63974332/?tag=content;coll).

<sup>19</sup> *Id.*

<sup>20</sup> Robbie Brown, *King Estate Considering Suit Over Unlicensed Obama Items*, N.Y. TIMES, November 15, 2008, at A9 ("Isaac Newton Farris Jr., a nephew of Dr. King and president of the King Center in Atlanta, said the family was considering several options, including lawsuits against sellers of unauthorized merchandise linking Mr. Obama and Dr. King under slogans like 'The Dream Is Reality.' 'It's not about the money,' Mr. Farris said. . . . But he added, 'We do feel that if somebody's out there making a dollar, we should make a dime.'").

<sup>21</sup> 37 C.F.R. § 202.1(a) (2004) (copyright law bars the copyrighting of "[w]ords and short phrases such as names, titles, and slogans; familiar symbols or designs; mere variations of typographic ornamentation, lettering or coloring; mere listing of ingredients or

and that the copyright in photographs taken by news reporter and others not working for the subject of the photograph is held by the photographer.<sup>22</sup>

Other authors' estates have proved equally controlling of copyrights in a manner that is likely to discourage fair use. The Gershwin Estate is reportedly extremely aggressive in seeking to maximize revenues from its copyrights, while strictly controlling how its copyrighted work may be used.<sup>23</sup> The Estate of T.S. Eliot is controlled by the author's widow, Valerie Eliot, who is famously controlling of Eliot's work so as to guard his reputation.<sup>24</sup> Scholars are reportedly tremulous in seeking permissions from Mrs. Eliot.<sup>25</sup> Likewise, the Estate of Samuel Beckett is controlled by the author's nephew, Edward Beckett, who will not allow uses of the author's work that he says the author would not have wanted.<sup>26</sup> In the end, the power over copyright given to authors and their estates is all too often abused to censor and control the next generation of scholars and authors in ways that in practice overstep the statutorily delineated bounds between protection for creation (the copyright grant) and protection of new speech (the statutorily allowed fair uses without copyright holder permission).<sup>27</sup>

A prime example of persistent copyright misuse is the Estate of James Joyce's history of aggressive use of copyright claims to stifle the speech of others. In the remainder of this section, I provide a detailed summary of how copyright was misused by the Joyce Estate in an attempt to squelch scholarly speech, and how the defense of copyright misuse eventually helped protect such speech. This case study will provide an excellent opportunity to identify the weakness in our current copyright regime, and explore a plausible solution: a defense of copyright misuse based on First Amendment policies.

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contents.”).

<sup>22</sup> See Jeffrey D. Powell, *Printers' Claims to Lithographic Film Ownership: You Can't Always Get What You Want*, 12 HOFSTRA L. REV. 783, 790-91 (copyright belongs to photographer unless the work was commissioned by the subject of the photograph).

<sup>23</sup> See Arewa, *supra* note 16, at 315-27 (2006).

<sup>24</sup> See Karen Christensen, *Dear Mrs. Eliot . . .*, THE GUARDIAN, Saturday January 29, 2005, Features & Reviews section at 4. See also Rebecca F. Ganz, Note, *A Portrait of the Artist's Estate as a Copyright Problem*, 41 LOY. L.A. L. REV. 739, 752 (2008) (pointing out the “powerful position given to heirs and estates in our present system”) (quoting Pierre N. Leval, *Towards a Fair Use Standard*, 103 HARV. L. REV. 1105, 1118 (1990) (“A historian who wishes to quote personal papers of deceased public figures now must satisfy heirs and executors for [years] after the subject's death. When writers ask permission, the answer will be, ‘Show me what you write. Then we'll talk about permission.’ If the manuscript does not exude pure admiration, permission will be denied.”).

<sup>25</sup> *Id.*

<sup>26</sup> Mel Gussow, *A Reading Upsets Beckett's Estate*, N.Y. TIMES, September 24, 1994, at 11.

<sup>27</sup> For a discussion of the problem, see Ganz, *supra* note 24 (“Although certain estates will elect to do the right thing in allowing or even enabling creative uses of copyrighted works, without a legally enforceable system, many famous estates will continue to abuse their power and censor the work of another generation of artists and scholars.”).



The Estate of author James Joyce controls the copyrights in Joyce's works. The Estate today is controlled by Joyce's grandson, Stephen James Joyce, who is well-known for his contempt for Joyce scholars.<sup>28</sup> Since he gained control of the Estate, it has engaged in aggressive use of its copyrights to try to curtail speech about topics—literary or personal—it does not like. The Estate has done so by refusing to grant permission to quote from Joyce's work to anyone who would use Joyce's work in a way Stephen Joyce dislikes, or to discuss topics about Joyce and the Joyce family that Stephen Joyce dislikes. If refusing to grant copyright permission is not enough to get his way, Stephen Joyce has not been hesitant to use litigation and especially the threats of litigation, even in plain cases of fair use.

Numerous examples of the Joyce Estate's desire to control the content of Joyce scholars' work via threatening and litigious behavior exist.<sup>29</sup> For example, Stephen James Joyce objected to an epilogue in Brenda Maddox's biography of James Joyce's wife, Nora, because the biography discussed the time Joyce's daughter, Lucia, spent in a mental institution.<sup>30</sup> Stephen Joyce took the position that all quotations from Joyce's work that Maddox used in her book needed to be licensed, and he threatened to withhold permission and sue if Maddox used the quotations without removing the material about Lucia Joyce.<sup>31</sup> Maddox responded by removing the section even though copies of the book had already been printed.<sup>32</sup>

While Stephen Joyce's position was aggressive, it is true that Great Britain, where Maddox lives and where her work was being published, does not have the more extensive fair use protections available to users of copyrighted works that are available in the United States.<sup>33</sup> So in Britain Stephen Joyce may have been within his legal rights to tie granting permission to quote from Joyce's works to the requirement that Maddox not discuss Lucia Joyce. But regardless of Joyce's rights in Britain, in the United States scholars have fair use rights to use quotes from the people and texts they are analyzing.<sup>34</sup> The use cannot be excessive. They cannot take more than is needed for their purpose. But

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<sup>28</sup> See D.T. Max, *The Injustice Collector*, NEW YORKER, June 19, 2006 at 2-3 (quoting Stephen Joyce "Academics, he declared, were like 'rats and lice—they should be exterminated!'") available at [http://www.newyorker.com/archive/2006/06/19/060619fa\\_fact?currentPage=all](http://www.newyorker.com/archive/2006/06/19/060619fa_fact?currentPage=all).

<sup>29</sup> See *id.* at 1, 4; Peter Carty, *Never on a Bloomsday*, THE INDEPENDENT (UK), Jan 12, 2000, available at 2000 WLNR 5854888; see also Tim Cavanaugh, *Portrait of the Old Man as a Copyright Miser*, L.A. Times, June 5, 2007, available at <http://www.latimes.com/news/opinion/web/la-oe-cavanaugh5jun05,0,4847685.story>.

<sup>30</sup> Max, *supra* note 28, at 1.

<sup>31</sup> Shloss Decl. ¶ 65.

<sup>32</sup> Max, *supra* note 28, at 1.

<sup>33</sup> See Susanna Monseau, "Fit for Purpose": *Why the European Union Should Not Extend the Term of Related Rights Protection in Europe*, 19 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 629, 643 (2009).

<sup>34</sup> Jennifer Lehman, *The Future of Unpublished Works in Copyright Law After the Fair Use Amendment*, 18 J. CORP. L. 619, 620 (1993) ("When an infringement suit is brought, a fair use defense may be raised by the alleged infringer. This affirmative defense allows a defendant to avoid liability for copying the copyrighted work, so long as it is used for 'purposes such as criticism, comment, news reporting, teaching . . . , scholarship, or research.'") (Internal citations omitted).

they certainly have the right to use quotations from works liberally as required and assuming the fair use factors are met.<sup>35</sup> Maddox's quotations would therefore likely have been fair use in the United States. But the Joyce Estate's interaction with Maddox illustrates another behavior that is currently allowed by law, but that I will suggest in Part V should be copyright misuse—granting permission to quote from one's copyrighted works on condition that the person quoting the work write as the copyright holder dictates. This plainly discourages free speech and inquiry, and the case of the Joyce Estate with Maddox shows that copyright holders will feel free to use their copyrights to discourage such speech unless they are forbidden to do so.

In another example, the Estate stopped an Irish composer from using a mere eighteen words from *Finnegans Wake* in a choral piece by claiming that copyright permission was needed to use the words, and withholding such permission. The reason permission was refused was apparently because Stephen Joyce did not like the music.<sup>36</sup> Using eighteen words to make a transformative choral piece plainly qualifies as fair use in the United States.

Most pertinent to the inquiry of this Article is the case of *Shloss v. Estate of James Joyce*.<sup>37</sup> In 2006, Professor Carol Loeb Shloss sued the Estate of James Joyce for a declaratory judgment that she had the right under 17 U.S.C. §107 (fair use) to put quotations from James Joyce's work on her website to support the theses of her book about Joyce's daughter titled *Lucia Joyce: To Dance in the Wake*.<sup>38</sup> The Joyce Estate settled favorably to her nine months later. While Professor Shloss's fair use arguments were strong, it is likely that the Estate settled so quickly because of another count in Shloss's complaint—her count accusing the Estate of copyright misuse.<sup>39</sup>

Carol Shloss, a professor of English at Stanford University,<sup>40</sup> began researching a book on James Joyce's daughter, Lucia, in 1988.<sup>41</sup> Lucia Joyce was reportedly a troubled young woman, and she was treated by a number of doctors in her twenties, including psychiatrist Carl Jung.<sup>42</sup> In 1932, at the age of 25, Lucia was committed to a mental hospital by her brother, Giorgio.<sup>43</sup> She was confined to mental hospitals most of her life

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<sup>35</sup> *Id.*

<sup>36</sup> Medb Ruane, *The War of Words Over Joyce's Literary Legacy*, IRISH TIMES, June 6, 2000, available at 2000 WLNR 3139405.

<sup>37</sup> *Shloss v. Sweeney*, 515 F. Supp. 2d 1068, 1072 (N.D. Cal. 2007). I served as counsel for Professor Shloss in this litigation so I want to emphasize that the views expressed here are mine alone.

<sup>38</sup> CAROL LOEB SHLOSS, *LUCIA JOYCE: TO DANCE IN THE WAKE* (2003).

<sup>39</sup> I do not ignore that the fact that Professor Shloss had pro bono counsel also helped turn the tables in her favor. But as will be seen, even with all of the advantages she had, the Joyce Estate still fought hard to stop her speech.

<sup>40</sup> William S. Kowinski, *A Promising Artist Waylaid by Crashing of Her Mind*, S.F. CHRON., Dec. 21, 2003, at M3, available at <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2003/12/21/RVGT73N8OC1.DTL>.

<sup>41</sup> Max, *supra* note 28, at 6.

<sup>42</sup> See Hermione Lee, *No She Said No*, N.Y. TIMES, Dec. 28, 2003, at 1 available at <http://www.nytimes.com/2003/12/28/books/no-she-said-no.html>.

<sup>43</sup> See Sean O'Hagan, *Private Dancer*, THE GAURDIAN, Sunday May 16, 2004 available

and died in one in 1982.<sup>44</sup> To research Lucia Joyce, Shloss traveled the world searching for documents about Lucia's life.<sup>45</sup> Many documents about Lucia Joyce have been destroyed over the years, apparently by her family, out of shame regarding her condition.<sup>46</sup> Shloss also sought evidence for her thesis that Lucia influenced and indirectly contributed to *Finnegans Wake*.<sup>47</sup>

Stephen Joyce seems to have always considered his Aunt Lucia off-limits for scholarly inquiry. In 1988, Stephen Joyce destroyed many of Lucia's letters.<sup>48</sup> When scholars were outraged by his actions, he responded "What are people going to do to stop me?"<sup>49</sup> Similarly, in 1992, Stephen Joyce succeeded in removing documents regarding Lucia from the archives at the National Library of Ireland, even though he had no legal claim to these papers.<sup>50</sup>

In addition to destroying documents, once it learned of Shloss's work on her book, the Joyce Estate attempted to stymie Shloss's investigation into Lucia's life. For instance, when Shloss traveled to the University of Buffalo in New York to consult the James Joyce papers in the Special Collections at the Lockwood Memorial Library,<sup>51</sup> the library's director told her that he had been contacted by "intermediaries" from the Joyce Estate, who discouraged him from giving Shloss access to the Library's Joyce materials.<sup>52</sup> Shloss was allowed to see the documents, but told to keep a "low profile."<sup>53</sup> The director allegedly was afraid that the Joyce Estate would sue the university if it found out that Shloss had used the Library's Joyce documents.<sup>54</sup> While the university could not actually have been sued for giving a patron access to library materials, it does need copyright permission from the Joyce Estate any time it wants to make use of Joyce's work in exhibitions or publications. Accordingly, the Library director was reasonable in fearing that angering the Joyce Estate could negatively impact the Library's work.

Stephen Joyce also wrote a number of letters to Shloss directly warning her not to use documents from any Joyce family members. In a March 31, 1996 letter, Joyce told Shloss that "you do not have our approval/permission to 'use' *any* letters or papers by or from Lucia. . . . [or] our authorization to use *any* letters from my grandfather to anybody which deal with her."<sup>55</sup>

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at <http://www.guardian.co.uk/books/2004/may/16/biography.features>.

<sup>44</sup> See Kowinski, *supra* note 40.

<sup>45</sup> Shloss, 515 F. Supp. 2d at 1072.

<sup>46</sup> See Kowinski, *supra* note 40.

<sup>47</sup> See Max, *supra* note 28, at 6.

<sup>48</sup> *Id.* at 1.

<sup>49</sup> Janna Malamud Smith, *Where Does a Writer's Family Draw the Line*, N.Y. TIMES, Nov. 5, 1989, available at <http://www.nytimes.com/1989/11/05/books/where-does-a-writer-s-family-draw-the-line.html>.

<sup>50</sup> Max, *supra* note 28, at 1.

<sup>51</sup> Declaration of Carol Loeb Shloss in Opposition to Defendants' Motion to Dismiss ¶ 17, Case No. CV 06-3718 [Docket No. 33] (N.D. Cal. 2006).

<sup>52</sup> Max, *supra* note 28, at 6.

<sup>53</sup> Shloss Decl. ¶ 17.

<sup>54</sup> *Id.*

<sup>55</sup> *Id.* at ¶ 17, Ex. C (emphasis added).

Shloss pressed on notwithstanding Joyce's threatening letters, and in 2001, she signed a contract with the publishing house Farrar Straus & Giroux to publish her book.<sup>56</sup> When Stephen Joyce learned of the contract, he wrote Shloss and again warned her against the use of any Joyce family materials.<sup>57</sup> In this letter he referred to the Estate's history of litigation against other authors, saying "[o]ver the past few years we have proven that we are willing to take any necessary action to back and enforce what we legitimately believe in."<sup>58</sup> Although copyright law does not protect privacy rights,<sup>59</sup> Joyce justified his aggressive position by saying that he needed to "safeguard whatever remains of the much abused and invaded Joyce family privacy."<sup>60</sup>

Stephen Joyce also threatened Shloss's publisher directly. In a series of letters and phone calls, Joyce stated that he would not allow any use of Lucia-related material, that Shloss needed his permission to quote from letters written by Joyce family members or associates—which was explicitly denied, and that he had "never lost a lawsuit."<sup>61</sup> Shloss's publisher supported its author and took the position that Shloss's use of the Lucia-related material was protected by the statutory right to fair use of copyrighted material, and thus permission from the Joyce Estate was not legally required.<sup>62</sup> This elicited further threats from Stephen Joyce in yet more letters. He told Shloss's publisher to "take . . . very seriously" his earlier letters and repeatedly warned against use of any of the Lucia-related materials.<sup>63</sup> He further warned Farrar Straus & Giroux that it "should be aware of the fact that over the past decade the James Joyce Estate's 'record', in legal terms, is crystal clear and we have proven on a number of occasions that we are prepared to put our money where our mouth is."<sup>64</sup> When the publisher stopped responding to his letters, Joyce wrote again to say that "[a]s I indicated in my previous letter, there are more ways than one to skin a cat!"<sup>65</sup>

Joyce did not stop there. A few months later he wrote again to Shloss's publisher to "formally inform" it that "Shloss and her publishers are NOT granted permission to use any quotations from anything" that Lucia Joyce "ever wrote, drew or painted."<sup>66</sup> He further stated that (according to him) "fair use does not apply to letters, consequently no extracts from letters of any member of the Joyce family can be used in Ms. Shloss' book

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<sup>56</sup> Shloss Decl. ¶ 25.

<sup>57</sup> Max, *supra* note 28, at 6.

<sup>58</sup> *Id.* at 2.

<sup>59</sup> See Madoff, *supra* note 16, at 121, 125 (noting that "copyright provides protection for a person's creative expression" while privacy laws "protects against feelings of embarrassment").

<sup>60</sup> Shloss Decl. ¶ 26, Ex. G.

<sup>61</sup> Shloss Decl. ¶ 33, Ex. J; Decl. of Jonathan Galssi in Opposition to Defendants' Motion to Dismiss ¶ 2, Ex. 2, No. CV 06-3718 [Docket No. 35] (N.D. Cal. December 15, 2006).

<sup>62</sup> *Shloss*, 515 F. Supp. 2d at 1073.

<sup>63</sup> Decl. of Leon Friedman in Opposition to Defendants' Motion to Dismiss ¶ 2, Ex. 2, *Shloss v. Sweeney*, 515 F. Supp. 2d 1068, No. CV 06-3718 [Docket No. 34] (N.D. Cal. December 15, 2006).

<sup>64</sup> *Id.*

<sup>65</sup> Friedman Decl. ¶ 2, Ex. 3.

<sup>66</sup> See, e.g., Lee, *supra* note 42.

and I, acting for both the Estate and Family, refuse to grant such permission.”<sup>67</sup> Joyce ended with an open threat: “So be it. I am perfectly willing to play the ‘game’ your way but there will be repercussions. This is not a threat but a statement of fact....”<sup>68</sup>

Shloss had strong fair use arguments for her scholarly use of quotations from books and letters for her Lucia Joyce book. Stephen Joyce’s assertion, for example, that fair use does not apply to letters was obviously false.<sup>69</sup> But she quite reasonably feared that if she used the materials to which she believed she had a right, she could be bankrupted by even a meritless lawsuit. She told her agent in 2003: “It’s not a matter of winning or not. The suit itself would ruin us.”<sup>70</sup> Nor did Shloss’s publisher want to face a lawsuit, especially given that profit margins on non-fiction books such as Shloss’s could be easily consumed in the cost of a lawsuit, whether won or lost.<sup>71</sup> Thus, in the end a significant amount of Lucia-related material was cut from Shloss’s manuscript.<sup>72</sup> Shloss was greatly dismayed, and felt that the book she had spent over a dozen years writing was being gutted of important material. When her book was reviewed, reviewers criticized her for a lack of evidentiary support for otherwise interesting theses.<sup>73</sup>

Shloss was dissatisfied with the form in which her work was published and she eventually found pro bono counsel.<sup>74</sup> She then created a website on which was posted the excised material from her book.<sup>75</sup> She sent the Joyce Estate the material that she planned to host on her website, and again asked it to agree that her use was fair and protected under copyright law.<sup>76</sup> Again the Estate refused to agree, and threatened to sue under its copyrights.<sup>77</sup> The Estate said that Shloss’s proposed use of the Lucia-related materials

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<sup>67</sup> *Id.*

<sup>68</sup> *Id.*

<sup>69</sup> 17 U.S.C. § 107 (“The fact that a work is unpublished shall not itself bar a finding of fair use”).

<sup>70</sup> Shloss Decl. ¶ 26, Ex. K.

<sup>71</sup> *See generally* Joseph Galante and Greg Bensinger, *Kindle’s \$9.99 Books May Shrink Publisher’s Profits*, July 9, 2009,

<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aWhjmdVFcC2Q> (noting that publishers ordinarily expect to earn \$0.26 per copy). Since the typical publisher expects to sell 5,000 copies, the expected profits per book are well below the costs of defending a copyright lawsuit which can be hundreds of thousands of dollars. *See* THE VERMONT EDUCATION REPORT, Nov. 18, 2002, Vol. 2, No. 46 *available at* [http://www.schoolreport.com/vbe/nlet/11\\_18\\_02.htm](http://www.schoolreport.com/vbe/nlet/11_18_02.htm).

<sup>72</sup> *See* Max, *supra* note 28, at 4.

<sup>73</sup> *See id.*; *see also* Declaration of Carol Loeb Shloss in Opposition to Defendants’ Motion to Dismiss, ¶¶ 47-48, Case No. CV 06-3718 (JW) (HRL) (N.D. Cal. 2006).

<sup>74</sup> Shloss contacted Larry Lessig at Stanford Law School. After reviewing her situation, Lessig agreed that he and his Center for Internet and Society would represent Shloss. I served as the attorney with primary day-to-day responsibility for the case. Soon thereafter, Robert Spoo joined the case, first with the law firm of Doerner Saunders and then with Howard Rice. Mark Lemley and his former firm, Kecker Van Nest, also joined the team shortly after the complaint was filed.

<sup>75</sup> Carol Loeb Shloss, *Lucia Joyce: Supplemental Material*, <http://www.lucia-the-authors-cut.info/> (last visited Jan. 19, 2010).

<sup>76</sup> *See* Max, *supra* note 28, at 7.

<sup>77</sup> *See id.*

was an “unwarranted infringement of the Estate’s copyright.”<sup>78</sup> The Estate went on to “request in the strongest possible terms that [the Estate’s] legal rights on this issue be respected.”<sup>79</sup>

Shloss filed a declaratory judgment action against the Joyce Estate asking a court to rule that she had the fair use right to use the material on her website. The case survived a motion to dismiss,<sup>80</sup> and the Joyce Estate settled with Shloss on terms that allowed her to use the materials at issue.<sup>81</sup> The Joyce Estate was also ordered to pay Shloss attorney’s fees, because she was the prevailing party in the lawsuit.<sup>82</sup> Shloss’s fees ran into the hundreds of thousands of dollars.<sup>83</sup> Even though she was eventually able to win a judgment requiring the Joyce Estate to pay her fees, if she had not had pro bono counsel, she never would have been able to front the costs of the fair use litigation on her own, and her fair use rights would have been effectively foreclosed.

## II. THE FAILURE OF FAIR USE AS A PRACTICALLY AVAILABLE RIGHT

Professor Shloss’s story perfectly illustrates the damage that can be caused by what Alfred Yen calls “aggressive copyright claims.”<sup>84</sup> These claims are often made against authors producing highly transformative or critical works and essentially assert that copying any language constitutes infringement.<sup>85</sup> Such overzealous assertion of copyrights in cases involving criticism or transformative work ultimately harms society because it results in the silencing of new “original” expression.<sup>86</sup>

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<sup>78</sup> *Id.*

<sup>79</sup> Declaration of Grace Smith, Ex. 5, Case No. CV 06-3718 (JW) (HRL) (N.D. Cal. 2006) (emphasis added).

<sup>80</sup> *Shloss*, 515 F. Supp. 2d at 1082.

<sup>81</sup> Bob Egelko, *Professor Wins Fees From Joyce Estate*, S.F. CHRON., Sep. 29, 2009, available at [http://articles.sfgate.com/2009-09-29/bay-area/17204989\\_1\\_james-joyce-stephen-joyce-copyright-law](http://articles.sfgate.com/2009-09-29/bay-area/17204989_1_james-joyce-stephen-joyce-copyright-law).

<sup>82</sup> *Id.*; Cavanaugh, *supra* note 29.

<sup>83</sup> See Egelko, *supra* note 81 (noting that Shloss was awarded \$329,000 in legal fees and costs).

<sup>84</sup> Yen, *supra* note 15, at 677 (“The practice of ignoring the First Amendment in copyright cases has...made possible the problematic assertion of what I call ‘aggressive copyright claims.’ As the label implies, these claims aggressively test the boundaries of copyright by urging courts to adopt unconventional or novel readings of doctrine that would extend copyright well beyond its core of preventing individuals from reproducing the copyrighted works of others.”).

<sup>85</sup> See *e.g. id.* (“aggressive copyright claims are often made against defendants who have done more than simply ‘parrot’ a copyrighted work. These defendants have generally added meaningful work of their own, whether in the form of comment or criticism, significant reworking of the plaintiff’s material, or new material unrelated to the copyrighted work. At their most extreme, aggressive copyright claims assert that almost any borrowing from a copyrighted work constitutes actionable infringement.”); Jason Mazzone, *Copyfraud*, 81 N.Y.U. L. Rev. 1026, 1052 (2006) (“When de minimis copying and fair use are routinely discouraged, a copyright notice comes to signal not merely that the work is protected, but that every reproduction is prohibited.”).

<sup>86</sup> See *e.g.*, Yen, *supra* note 15, at 682 (“Enforcing copyright against those who add

Authors faced with aggressive copyright claims are left few options to defend themselves.<sup>87</sup> The two main defenses available are fair use and the idea/expression dichotomy.<sup>88</sup> The fair use defense is defined by statute and allows for the unapproved use of copyrighted material in limited situations.<sup>89</sup> The idea/expression dichotomy protects the concept that a copyright does not grant an author exclusive rights to any idea, but instead merely to the particular expression that he or she created.<sup>90</sup> These two doctrines together are sometimes thought to provide all necessary protection against copyright holders infringing on the First Amendment rights of authors.<sup>91</sup>

In reality, however, these defenses are not sufficient to protect authors from aggressive copyright claims.<sup>92</sup> In cases such as Carol Shloss's, the protection of a fair user's rights is often prohibitively expensive and insufficiently guaranteed under these two defenses because asserting them requires an infringement trial.<sup>93</sup> Furthermore, the defenses have vague boundaries and rely on multipart judicial tests that make determining the likelihood of success difficult.<sup>94</sup> Unfortunately, this means that

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expression of their own to borrowed material means silencing newly created speech. These losses are much more serious than losses of borrowed speech because no equivalent existing speech takes the place of silenced new speech.”); JuNelle Harris, *Beyond Fair Use: Expanding Copyright Misuse to Protect Free Speech*, 13 TEX. INTELL. PROP. L.J. 83, 85 (2004) (“These cases clearly also raise important First Amendment issues, as copyright is wielded as a sword rather than as a shield, to silence speakers who are engaged in criticism rather than in economic piracy...”); Mazzone, *supra* note 85, at 1030 (“In addition to enriching publishers who assert false copyright claims at the expense of legitimate users, copyfraud stifles valid forms of reproduction and creativity and undermines free speech.”).

<sup>87</sup> See Victoria Smith Ekstrand, *Protecting the Public Policy Rationale of Copyright: Reconsidering Copyright Misuse*, 11 COMM. L. & POL’Y 565, 567-8 (2006) (“While the copyright statute offers users some defenses for those accused of infringement—namely the Fair Use Doctrine—the statute provides no definition of a copyright holder who abuses his rights and offers no restitution for a wrongly accused infringer.”).

<sup>88</sup> Harris, *supra* note 86, at 93 (“[T]he Supreme Court has held that free speech interests are adequately protected through the two major copyright-limiting doctrines: the idea/expression dichotomy and fair use.”).

<sup>89</sup> 17 U.S.C. §107.

<sup>90</sup> Harris, *supra* note 87, at 88 (“[T]he idea/expression dichotomy...holds that copyright in expressive matter does not protect underlying ideas or facts contained in a copyrighted work of authorship.”).

<sup>91</sup> Yen, *supra* note 15, at 676 (“According to conventional wisdom, copyright law already incorporates First Amendment values through the idea/expression dichotomy and the defense of fair use.”); David S. Olson, *First Amendment Interests and Copyright Accommodations*, 51 B.C. L. REV. 1393 (2009).

<sup>92</sup> See Harris, *supra* note 86, at 108 (“Thus, while the scope of statutory copyright protection has expanded, fair use has remained at best fixed, leaving it particularly ill suited to deal with technological change.”).

<sup>93</sup> *Id.* at 98 (“As an affirmative defense, whether a use is ‘fair’ can be determined only within the context of infringement litigation, and the defendant bears the burden of proof. Thus...users with limited resources may be silenced by the mere threat of litigation long before fair use analysis is brought to bear on any First Amendment interests.”).

<sup>94</sup> Yen, *supra* note 15, at 679 (“Doctrinal limits on the reach of copyright exist, but those limits are frustratingly vague.”).

oftentimes authors are effectively silenced by the threat of litigation regardless of the validity of the accuser's claims.<sup>95</sup>

The Supreme Court recently has affirmed that copyright law is subject to First Amendment limitations.<sup>96</sup> Indeed, the very purpose of the Copyright Act is to foster First Amendment values.<sup>97</sup> As the *Shloss v. Joyce* case makes plain, ironically, certain types of work that the Copyright Act is designed to foster cannot be created (or cannot be created well) without the right to quote the copyrighted works of others. A classic example is a book review. The review cannot be as compelling or complete without the use of quotations from the work that is being reviewed. A paraphrase is simply not as convincing as a quotation. And, of course, if the book review is critical, then the author of the reviewed work likely will not be willing to give permission for the use of any quotations from the work.<sup>98</sup> Likewise, documentaries, if they are to accurately reflect the world they are filming, will often contain bits and pieces of other people's copyrighted works.<sup>99</sup> And again, critical analysis of a work cannot be done without liberal quotation from the work. In addition, artistic works that comment on other works or incorporate images, words, or expression from popular culture must make use of copyrighted works,<sup>100</sup> especially given the current length of the copyright term.

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<sup>95</sup> See e.g., Harris, *supra* note 86, at 98; Ekstrand, *supra* note 87, at 566 (“[T]he Chilling Effects study legitimizes the concern about the ever-growing population of...content owners who create a chilling effect on the reuse of their work in the marketplace.”).

<sup>96</sup> *Eldred v. Ashcroft*, 537 U.S. at 221 (rejecting the argument that “copyrights [are] categorically immune from challenges under the First Amendment.”).

<sup>97</sup> *Golan v. Gonzales*, (10<sup>th</sup> Cir. 2007). See also *Harper & Row*, 471 U.S. at 558 (observing that “the Framers intended copyright itself to be the engine of free expression,” and thus “the monopoly created by copyright thus rewards the individual author in order to benefit the public.”) (internal quotation marks omitted); *Aiken*, 422 U.S. at 156 (“The immediate effect of our copyright law is to secure a fair return for an ‘author’s creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good.”); *Mazer v. Stein*, 347 U.S. 201, 219 (1954) (“The economic philosophy behind the clause empowering Congress to grant [] 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 . . . in ‘. . . [the] useful Arts.’”); *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932) (“The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors.”).

<sup>98</sup> See, *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394 (9th Cir. 1997).

<sup>99</sup> See LESSIG, *supra* note 6, AT 95-98 (describing the experience of Jon Else while filming his documentary about stage hands working on a production of Wagner’s Ring Cycle. A scene in Else’s movie from back stage contained an indirect 4.5 second long shot of The Simpsons television show in the background. Fox demanded a \$10,000 royalty for use of the clip in the movie. Else was forced to remove the clip digitally, detracting from the “flavor of what was special about the scene”).

<sup>100</sup> Indeed, the Supreme Court has stated that artistic expression is deserving of substantial First Amendment protection. See, e.g., *Ward v. Rock Against Racism*, 491 U.S. 781, 790 (1989) (“Music is one of the oldest forms of human expression. From Plato’s discourse in the Republic to the totalitarian state in our own times, rulers have



It is for these reasons that courts first recognized an equitable right to fair use,<sup>101</sup> which was later codified by Congress.<sup>102</sup> Fair use gives content creators the right to use the copyrighted work of others “for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research . . . .”<sup>103</sup> If a content creator wants to use a copyrighted work for one of the purposes allowed by Section 107, then the content creator can do so without asking permission or even informing the copyright owner of the use. This all sounds well and good for the efficient allowance of socially-desirable uses of copyrighted works, but the devil is in the details. As has been extensively discussed in the literature, the four-part test set out in Section 107 is famously murky,<sup>104</sup> and subsequent case law has not helped greatly to clarify the question.<sup>105</sup>

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known [music’s] capacity to appeal to the intellect and to the emotions, and have censored musical compositions to serve the needs of the state. . . . The Constitution prohibits any like attempts in our own legal order. Music, as a form of expression and communication, is protected under the First Amendment.”); *Schad v. Borough of Mount Ephraim*, 452 U.S. 61, 65 (1981) (“Entertainment, as well as political and ideological speech, is protected; motion pictures, programs broadcast by radio and television, and live entertainment, such as musical and dramatic works, fall within the First Amendment guarantee.”); *Kaplan v. California*, 413 U.S. 115, 119-120 (1973) (“[P]ictures, films, paintings, drawings, and engravings . . . have First Amendment protection . . .”).

<sup>101</sup> See, e.g., *Folsom v. Marsh*, 9 F.Cas. 342 (C.C.Mass. 1841); *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984); *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539 (1985); *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).

<sup>102</sup> 17 U.S.C. § 107.

<sup>103</sup> 17 U.S.C. § 107.

<sup>104</sup> See, e.g., Matthew D. Bunker, *Transforming the News: Copyright and Fair Use in News-Related Contexts*, 52 J. Copyright Soc’y U.S.A. 309 (2005) (“[I]t seems fair to say that fair use jurisprudence in the news context is something of a conceptual muddle...This state of affairs is unfortunate, of course, because of the tremendous uncertainty faced by putative fair users.”); Andrew Inesi, *Images of Public Places: Extending the Copyright Exemption for Pictorial Representations of Architectural Works to Other Copyrighted Works*, 13 J. Intell. Prop. L. 61, 76 (2005) (“The fact-intensive nature of the fair use analysis, combined with considerable argument and confusion over how the test should be applied, makes it difficult to predict the applicability of fair use in all but the most obvious cases.”); Dana Beldiman, *Fundamental Rights, Author’s Right and Copyright—Commonalities or Divergences?*, 29 Colum. J.L. & Arts 39, 58 (2005) (“Because of the vagueness and subjectivity of the fair use test neither the creators themselves nor their legal advisors are in a position to predict whether a given use is fair.”); Lawrence Lessig, *Free Culture* 187 (2004) (“[F]air use in America simply means the right to hire a lawyer...”).

<sup>105</sup> See, e.g., *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661, 662 (1939) (“the issue of fair use...is the most troublesome in the whole law of copyright...”); *Marvin Worth Productions v. Superior Films Corp.*, 319 F.Supp. 1269, 1273 (1970) (“[T]he defendants’ major position is anchored on the theory of fair use. This doctrine...judges and commentators alike have found to be exceptionally elusive even for the law...”); *Time, Inc. v. Bernard Geis Assocs.*, 293 F.Supp. 130, 144 (1968) (“The doctrine is entirely equitable and is so flexible as virtually to defy definition.”).

This puts would-be fair users in an untenable situation. The only way for them to know for sure that their use of copyrighted material is fair is to get a court declaration. The content creator may get a court ruling either by suing for a declaratory judgment, if she has the requisite actual conflict sufficient to meet the declaratory judgment standard,<sup>106</sup> or by using the copyrighted work, getting sued, and having the court determine fair use at that time. Both of these options have obvious drawbacks. In the second case, if the use of each quotation from the copyrighted work is not deemed to be fair, then the user may be liable for copyright damages,<sup>107</sup> and perhaps attorneys' fees.<sup>108</sup> While a user who meets the requirements for bringing a declaratory judgment action may do so and avoid the possibility of damages, the action itself is likely to be quite expensive, and can be made even more so if the copyright holder contests that the jurisdictional requirement for a declaratory judgment action has been met, as did the Joyce Estate in *Shloss v. Joyce*.<sup>109</sup> The user of the copyrighted work will have to hire attorneys, file a complaint, withstand any jurisdictional challenge, deal with any discovery the court allows, and then file papers parsing each use of a copyrighted work, and the reasons the use qualifies as fair. Such cases can easily reach six figures in attorneys' fees on each side.<sup>110</sup> When one adds to the legal fees the potential for statutory damages being assessed against the would-be fair user if her use is adjudged outside fair use, the deterrence to fair use becomes even more substantial. Statutory damages range from \$750 to \$30,000 per work infringed,<sup>111</sup> and can be increased to \$150,000 per work infringed if a court finds that the defendant's infringement was willful.<sup>112</sup> This means that even if the market effect on the copyright owner's work is zero, anyone adjudged to have infringed the work may still be assessed with thousands of dollars of penalties per work infringed.<sup>113</sup>

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<sup>106</sup> See, e.g., *Video Pipeline, Inc. v. Buena Vista Home Entertainment, Inc.*, 342 F.3d 191 (3rd Cir. 2003); *Online Policy Group v. Diebold, Inc.*, 337 F. Supp. 2d 1195 (N.D. Cal. 2004); *Micro Star v. Formgen Inc.*, 154 F.3d 1107 (Cal. 1998); *Clean Flicks of Colorado, LLC v. Soderbergh*, 433 F.Supp.2d 1236 (D.Colo. 2006).

<sup>107</sup> 17 U.S.C. § 504.

<sup>108</sup> 17 U.S.C. § 505.

<sup>109</sup> Plaintiff's Motion in Opposition of Defendant's Motion to Dismiss, 16-18, Case No. CV 06-3718 [Docket No. 32] (N.D. Cal. 2006)

<sup>110</sup> See, e.g., Kevin M. Lemley, *I'll Make Him an Offer He Can't Refuse: A Proposed Model for Alternative Dispute Resolution in Intellectual Property Disputes*, 37 Akron L. Rev. 287, 311 (2004) ("Intellectual property litigation typically spans several years with total costs commonly exceeding hundreds of thousands or even millions of dollars. A 2001 survey...calculated the average cost through trial of typical patent disputes...at \$1,499,000; \$699,000 for similar trade secret disputes; \$502,000 for trademark disputes; and \$400,000 for copyright disputes.").

<sup>111</sup> 17 U.S.C. § 504(c)(1) (2006).

<sup>112</sup> Id. § 504(c)(2).

<sup>113</sup> See, e.g., Special Verdict Form at 17-20, *Capitol Records Inc. v. Thomas-Rasset*, No. 06-CV-1497 (MJD/RLE), 2009 WL 1717117 (D. Minn. June 18, 2009) (finding defendant who shared music files using peer-to-peer software liable for willful copyright infringement and awarding \$80,000 per song); Jury Verdict Form at 2-8, *Sony BMG Music Entm't v. Tenenbaum*, Nos. 03-CV-11661-NG, 07-CV-11446-NG, 2009 WL 2390631 (D. Mass. June 15, 2009) (finding defendant liable for \$22,500 per act of willful

As a result, aggressive copyright holders can hold the threat of litigation over the heads of potential users to get them to desist from using copyrighted material, or to make them use it only in ways acceptable to the copyright holder. While it is true that to actually litigate a fair use dispute is costly for both sides, it is nearly costless for the copyright holder to threaten suit, or simply to leave the potential user in fear of suit. This tactic was precisely the one used by the Joyce Estate against Shloss and many other scholars, and has been used by numerous other copyright holders against would-be users of their copyrighted works.<sup>114</sup> Moreover, even if the user sues the copyright holder to have the right to fair use judicially determined, the copyright holder can at that point simply covenant not to sue the user and then walk away from the entire suit with very little cost to itself.<sup>115</sup>

Thus, preventing fair use of copyrighted work can be done quite easily and often nearly costlessly by a determined copyright holder. This is especially the case when the potential user is an academic, a typical documentary maker, or any other content creator who is not wealthy enough to absorb the cost of an infringement litigation. In fact, even parties with deep pockets can be intimidated from pursuing fair use. For a typical book publisher, film distributor, music distributor, or the like, the hassle and cost of defending a copyright litigation based on fair use can turn a profitable project into an unprofitable one, or at least into one that is not worth the trouble.<sup>116</sup> Moreover, if using numerous quotations based on fair use would likely draw an infringement suit, then a corporate publisher is arguably obligated by its profit-making duty to shareholders not to make the fair use and risk the suit.<sup>117</sup>

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infringement for sharing music files using peer-to-peer technology); *Capitol Records Inc. v. Thomas*, 579 F. Supp. 2d 1210, 1213 (D. Minn. 2008) (ordering new trial in peer-to-peer file sharing case after jury found defendant liable for statutory damages in the amount of \$9,250 per each act of infringement without a showing of actual distribution of infringing works).

<sup>114</sup> See *supra*, notes 16 - 27, and accompanying text.

<sup>115</sup> This tactic was used by the Joyce Estate in *Shloss v. Sweeney*, 515 F. Supp. 2d 1068 (N.D. Cal. 2007). The Estate first issued a covenant not to sue that covered some, but not all, of Shloss's website. See Plaintiff's Motion in Opposition of Defendant's Motion to Dismiss, 18, Case No. CV 06-3718 [Docket No. 32] (N.D. Cal. 2006). Then the Estate moved to have Shloss's case dismissed as not meeting the requirements for a declaratory judgment as to the portion of the website not covered by the covenant. *Id.* When the court denied the Joyce Estate's motion, after considerable effort and expense for both sides in terms of briefing and arguing the motion, the Estate then promptly covenanted not to sue Shloss and the case was dismissed. Court Order, Case No. CV 06-3718 [Docket No. 72] (N.D. Cal. 2007).

<sup>116</sup> This is, in fact, what happened in *Shloss v. Sweeney*. Once the Joyce Estate contacted Shloss's publisher and threatened to enforce its legal rights if Shloss's book was published, the publisher then cut numerous quotations from the book. See Plaintiff's Motion in Opposition of Defendant's Motion to Dismiss, 1, Case No. CV 06-3718 [Docket No. 32] (N.D. Cal. 2006).

<sup>117</sup> Kent Greenfield, *Using Behavioral Economics to Show the Power and Efficiency of Corporate Law as Regulatory Tool*, 35 U.C. DAVIS L. REV. 581, 605 ("Since the early-twentieth century case of *Dodge v. Ford*, corporations have been deemed to have an 'unyielding' duty to look after the interests of the shareholders, which has been translated

There is a second way in which copyright owners can misuse their copyrights, and this type of misuse is perhaps even more damaging to First Amendment interests. In many cases an author would like to use more of a copyrighted work than is allowed by fair use. For instance, fair use allows a biographer to use excerpts from letters written by the subject of the biography, but the biographer might want to include full versions of certain letters in his book. Likewise, a filmmaker might want to include music or video clips in his film that exceed the limits of fair use. In these cases the subsequent creator must seek a license from the copyright owner(s). In the normal case, a license is negotiated for a fee and the subsequent user includes the portions of the copyrighted work for which she has bargained. But in some cases copyright holders use the negotiations over licensing their work to exert control over others' speech. These copyright holders demand that, in exchange for a license to use the copyrighted work, certain topics not be discussed, or may only be discussed in a favorable way (or in a negative way, depending on the axe the copyright owner has to grind). Other copyright holders demand that in exchange for a copyright license the author agree not to research, investigate, or write about certain things or to pursue certain areas of inquiry. We saw that the Joyce Estate engaged in exactly this sort of behavior in its copyright license to Brenda Maddox, pursuant to which she was forced to literally rip out a section of her printed books.<sup>118</sup> Not only is this damaging to the scholars who take restrictive licenses, it is also damaging to the public, who now gets only part of the story and may be misled into believing that there is no more to be known, when the author is actually sitting on relevant facts and analysis that cannot be distributed due to the copyright license. This sort of conditional licensing is currently allowed, but under my proposal in Part V it would become presumptive misuse.

Developments in copyright law in the last decade such as the Digital Millennium Copyright Act ("DMCA"), have exacerbated the situation by providing copyright holders with new tools for blocking the use of their works.<sup>119</sup> The DMCA makes it illegal to circumvent security or encryption technology on digital works. The DMCA was intended to protect things like music and movies from being copied and distributed. Unfortunately, however, copyright holders can use the DMCA to deter fair use because even if copying a particular part of a digital work is plainly fair, if the work is encrypted or protected by security measures, then altering those measures to make the fair use is a separate violation for which would-be fair users can be sued.

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into a duty to maximize profits."); Kent Greenfield, *Ultra Vires Lives! A Stakeholder Analysis of Corporate Illegality (With Notes on How Corporate Law Could Reinforce International Law Norms)*, 87 VA. L. REV. 1279, 1282 (2001) ("[S]ome of the most prominent scholars in corporate law...have written that corporations should, with only some small exceptions, seek to maximize profits even when they must break the law to do so.").

<sup>118</sup> See *supra* notes 30 - 35 and accompanying text.

<sup>119</sup> See Dan L. Burk, *Anticircumvention Misuse*, 50 UCLA L. REV. 1095, 1096 (2003) ("Paracopyright as conferred by the DMCA constitutes a separate set of rights, quite distinct from any copyright in the underlying content. These new rights are expansive and unprecedented. They allow control of uncopyrighted materials, and confer upon content owners a new exclusive right to control not only access to technologically protected works, but also ancillary technologies related to content protection.").

In stark contrast to the additional tools that copyright holders have in digital security technology and the DMCA, would-be fair users are left with a fair use defense that is fixed in its codified form and lacks the flexibility of common law to adapt to new challenges in copyright law.<sup>120</sup> Taken together, this leads to an imbalance between copyright protection and protection of the public domain.<sup>121</sup> Thus, a need exists to make practically available the fair use and idea/expression dichotomy protections for new authors, especially in the case of critical works.<sup>122</sup> I propose that a defense of copyright misuse is the way to make these protections practically available, but before discussing copyright misuse, I briefly survey other proposals that have been made to better enable the protections granted by fair use.

### III. SURVEY OF PREVIOUS PROPOSALS TO ENABLE FAIR USE RIGHTS

Many commentators have noted these problems with the imbalance between protecting copyright holders and allowing legal, socially-valuable fair use. A number of reform proposals have been made to try to remedy this problem. As I have said earlier, my proposal in this article is not to change the contours of fair use, but rather to increase the leverage of would-be fair users, so that they are not chilled from making their fair use. Before discussing my proposal, however, a survey of recent proposals to remedy the problem I seek to address is in order.

The reform proposals seeking to address the problem of the practical ineffectiveness of fair use can be broadly grouped into the following three categories: proposals to decrease the costs of fair use determinations; proposals to decrease the penalties of being adjudged an infringer notwithstanding a good-faith belief that the use was fair; and proposals to modify copyright law or the fair use test itself so as to make fair use determinations more predictable or otherwise better serve the policy goals underlying copyright and fair use.<sup>123</sup>

A number of commentators have suggested that one way to make fair use rights more practically available is to decrease the cost of obtaining a fair use decision. As

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<sup>120</sup> Harris, *supra* note 86 at 108.

<sup>121</sup> Jason Mazzone, *Copyfraud*, 81 N.Y.U. L. REV. 1026, 1029 (2006) (“Copyright law suffers from a basic defect: The law’s strong protections for copyrights are not balanced by explicit protections for the public domain.”).

<sup>122</sup> See Richard Posner, *Fair Use and Misuse*, Larry Lessig’s Blog, at <http://www.lessig.org/blog/archives/002119.shtml> (last visited August 20, 2007) (“What to do about such abuses of copyright? One possibility...is to deem copyright overclaiming a form of copyright misuse, which could result in forfeiture of the copyright.”).

<sup>123</sup> My division of reform proposals into four categories is quite similar to the division made by Michael Carroll. See Michael w. Carroll, *Fixing Fair Use*, 85 N.C. L. REV. 1087 (2007) (“There are four options for overcoming the problems caused by fair use uncertainty: (1) reduce the costs of obtaining a fair use determination ex ante under the current legal standard; (2) reduce the ex post penalties for misjudging fair use in good faith; (3) sharpen the fuzzy edges of the doctrine by establishing clearly delineated safe harbors or by making the entire doctrine more rule-like; or (4) implement a combination of these measures.”).

discussed above, with average copyright suits costing hundreds of thousands of dollars<sup>124</sup> and fair use determinations being subject to high degrees of uncertainty, it is not practical for many would-be fair users to exercise their fair use rights.<sup>125</sup> This uncertainty and costliness has led a number of commentators to suggest ways to make the fair use determination more cost effectively.

A popular recent suggestion for decreasing the costs of fair use determinations is to allow an administrative body to make fair use determinations rather than requiring a full litigation of copyright infringement and fair use. David Nimmer was one of the first to make this suggestion.<sup>126</sup> He proposed creating administrative tribunals to make fair use determinations in a cost-effective manner.<sup>127</sup>

Michael Carroll has proposed a variant of this.<sup>128</sup> Carroll's proposal uses as models the Internal Revenue Service's practice of issuing private letter rulings regarding the tax consequences of certain practices and the Securities and Exchange Commission's practice of issuing "no action" letters that exempt certain securities practices from enforcement.<sup>129</sup> Carroll suggests that these practices should inform our approach to fair use and provide the model for how to make cost-effective fair use decisions.<sup>130</sup> Carroll suggests creating a "Fair Use Board" in the Copyright Office that "would have the power to declare a proposed use of another's copyrighted work to be a fair use."<sup>131</sup> The fair use determination would be only as to the specific use by the specific petitioner.<sup>132</sup> If the Board determined the use to be fair, then the petitioner would be immune from copyright liability.<sup>133</sup> The copyright owner would receive notice and have an opportunity to participate in the Board's adjudicatory process, and the Board's rulings could be appealed within the Copyright Office and ultimately to the federal courts of appeals.<sup>134</sup>

David Fagundes has proposed another variant of the administrative determination of fair use.<sup>135</sup> Fagundes also proposes creating a board within the Copyright Office to make fair use determinations.<sup>136</sup> Recognizing that there are both easy and hard cases for fair use, Fagundes proposes that the board would issue one of three findings after reviewing the parties' submissions: "probably infringing, probably not infringing, or no opinion."<sup>137</sup> Moreover, the board's findings would give "strong presumption[s]" in the

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<sup>124</sup> See Kevin M. Lemley, *supra* note 110.

<sup>125</sup> See *supra* notes 93-95 and accompanying text.

<sup>126</sup> David Nimmer, *A Modest Proposal to Streamline Fair Use Determinations*, 24 CARDOZO ARTS & ENT. L.J. 11 (2006).

<sup>127</sup> *Id.*

<sup>128</sup> Michael W. Carroll, *Fixing Fair Use*, 85 N.C. L. REV. 1087 (2007).

<sup>129</sup> *Id.* at 1090-91.

<sup>130</sup> *Id.* at 1128-29, 1138

<sup>131</sup> *Id.* at 1087.

<sup>132</sup> See *id.* at 1125-27.

<sup>133</sup> *Id.* at 1126.

<sup>134</sup> *Id.* at 1126-1128

<sup>135</sup> David Fagundes, *Crystals in the Public Domain*, 50 B.C. L. REV. 139 (2009).

<sup>136</sup> *Id.* at 183.

<sup>137</sup> *Id.* at 184.

direction of the board's finding, but would not preclude litigation of the issue.<sup>138</sup> Fagundes suggests this approach so that easy cases of fair use can be quickly determined while hard cases of fair use will be left directly to litigation.<sup>139</sup>

Finally, two scholars have suggested that regulators might promulgate rules on fair use, as well as deciding fair use cases. Jason Mazzone has suggested two ways in which an administrative agency could administer fair use.<sup>140</sup> First, he suggests that an agency be assigned responsibility for "generating regulations that determine what constitutes fair use in specific contexts,"<sup>141</sup> and what conduct by copyright owners that deters fair use is out of bounds.<sup>142</sup> Mazzone further suggests that in addition to issuing fair use regulations, an agency can adjudicate whether specific uses are fair,<sup>143</sup> much like the proposals of Carroll and Fagundes, discussed above. Ben Depoorter has a similar proposal by which an administrative agency would issue guidelines that set "explicit understanding[s] of new technology" and "set default positions" regarding "expectations of free use of new technologies."<sup>144</sup>

A second area of proposed reform is in the area of decreasing the penalties for attempting fair use but being adjudged an infringer would encourage more fair use. Many would-be fair users would proceed with their proposed uses of copyrighted materials but for the penalties for being adjudged a copyright infringer. The Copyright Act provides that a copyright owner may, without any showing of actual damages, collect statutory damages of \$750 to \$30,000 per work infringed,<sup>145</sup> with possible enhancement up to \$150,000.<sup>146</sup> Accordingly, various reform proposals have been suggested to reign in or eliminate statutory damages in cases in which fair use is asserted in good faith.<sup>147</sup>

A third set of proposals have been made that take on fair use directly. Many commentators have suggested ways to make fair use less murky, so that parties could better predict whether uses are fair *ex ante*.<sup>148</sup> Others have suggested reforms to fair use aimed at better serving the underlying policies of copyright law.<sup>149</sup>

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<sup>138</sup> *Id.*

<sup>139</sup> *Id.*

<sup>140</sup> Jason Mazzone, *Administering Fair Use*, 51 WM. & MARY L. REV. 395 (2009).

<sup>141</sup> *Id.* at 396.

<sup>142</sup> *Id.*

<sup>143</sup> *Id.* at 435-36.

<sup>144</sup> Ben Depoorter, *Technology and Uncertainty: The Shaping Effect on Copyright Law*, 157 U. PA. L. REV. 1831 (2009).

<sup>145</sup> 17 U.S.C. § 504(c)(1) (2006).

<sup>146</sup> *Id.* § 504(c)(2).

<sup>147</sup> See, e.g., Mark A. Lemley, *Should a Licensing Market Require Licensing?*, 70 LAW AND CONTEMP. PROB. 185, 200 (2007); Samuelson & Wheatland, *supra* note 8 at 501; Thomas F. Cotter, *Fair Use and Copyright Overenforcement*, 93 IOWA L. REV. 1271, 1300 (2008).

<sup>148</sup> See, e.g., William F. Patry & Richard A. Posner, *Fair Use and Statutory Reform in the Wake of Eldred*, 92 CAL. L. REV. 1639, 1645 (2004) (proposing the creation of judge-made safe harbors for fair use); Gideon Parchomovsky & Kevin Goldman, *Fair Use Harbors*, 93 VA. L. REV. 1483 (2007) (proposing that Congress enact a number of non-exclusive fair use safe harbors); Michael J. Madison, *A Pattern-Oriented Approach to Fair Use*, 45 WM. & MARY L. REV. 1525 (2004) (suggesting the use of pattern analysis to

#### IV. HISTORY AND DEVELOPMENT OF COPYRIGHT MISUSE

Notwithstanding the numerous meritorious proposals to reform copyright law and fair use, the problem remains that the fair use rights that are already granted by law under the statute are not practically available to many would-be fair users. The companion problem of copyright holders tying copyright licenses to the requirement that the subsequent authors grant the copyright owners editorial control also remains. But a potential solution is available that can make fair use rights more practically available and that can discourage copyright holders from controlling the speech of others through aggressive copyright licensing practices. The solution lies in the equitable defense of copyright misuse, which has unique characteristics that make it well suited to protect

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both unify the application of fair use and make it more predictable while preserving a robust fair use zone); Pamela Samuelson, *Unbundling Fair Uses*, 77 *FORDHAM L. REV.* 2537, 2541-43 (2009) (arguing that by analyzing fair use cases in light of cases previously decided in the same “policy-relevant cluster” makes fair use determinations more predictable); Maureen McCrann, *A Modest Proposal: Granting Presumptive Fair Use Protection For Musical Parodies*, 14 *ROGER WILLIAMS U. L. REV.* 96, 124 (2009) (urging “an affirmative presumption of fair use protection should be granted to musical re-writes.”).

<sup>149</sup> See, e.g., William W. Fisher III, *Reconstructing the Fair Use Doctrine*, 101 *HARV. L. REV.* 1659, 1744-95 (1988) (proposing an “utopian” approach to fair use designed to facilitate human flourishing through deliberately considering whether particular fair use decisions would increase people’s access to, and ability to engage in, creative work); Glynn S. Lunney, Jr., *Fair Use and Market Failure: Sony Revisited*, 82 *B.U. L. REV.* 975, 998-99 (2002) (proposing that in deciding fair use cases, courts determine whether there is a meaningful likelihood of harm to the copyrighted work’s market value, whether the proposed use will reduce the copyright owner’s revenues and the output of creative works; and whether, having considered all of this, “society would be better or worse off” allowing the use.); Michael J. Madison, *Rewriting Fair Use and the Future of Copyright Reform*, 23 *CARDOZO ARTS & ENT. L.J.* 391 (2005) (arguing that “the case for fair use is strongest when the defendant can persuasively argue that the value of her activity to society clearly outweighs even stipulated loss to the copyright owner[,]” and thus proposing that the Copyright Act be amended to state, “Exclusive rights in copyright shall not extend to any use of a copyrighted work that society regularly values in itself.”); Christina Bohannon, *Copyright Harm, Foreseeability, and Fair Use*, 85 *WASH. U. L. REV.* 969, 1028 (2007) (proposing that fair use should focus on whether there is harm to the original work’s market, and proposing that courts should shift the burden of proof for the market harm factor); Joseph P. Liu, *Two-Factor Fair Use?*, 31 *COLUM. J.L. & ARTS* 571 (2008) (urging conversion of fair use from a four-factor test to a two-factor balancing of (1) the purpose and character of the use against (2) the impact of the use on the market); Matthew Sag, *God In The Machine: A New Structural Analysis of Copyright’s Fair Use Doctrine*, 11 *MICH. TELECOMM. & TECH. L. REV.* 381 (2005) (suggesting that in deciding fair use cases judges forgo cost-benefit analysis and restrict their analysis to “principles derived from copyright law”); Robert Kasunic, *Is That All There Is? Reflections on the Nature of the Second Fair Use Factor*, 31 *COLUM. J.L. & ARTS* 529 (2008) (proposing reinvigoration of second factor); Christina Bohannon, *Copyright Harm, Foreseeability, and Fair Use*, 85 *WASH. U. L. REV.* 969, 1028 (2007) (proposing that in fair use determinations courts should put the burden of proving market harm on the copyright holder and should only consider harm to the original use’s market).



against uses of copyright that impinge on speech interests. To serve this function, however, copyright misuse must be decoupled from its traditional basis in antitrust law and instead be firmly grounded in First Amendment speech principles.

Copyright misuse is at something of a crossroads right now. It grew out of its analog in patent misuse, and like patent misuse, copyright misuse has traditionally been used to address antitrust concerns—generally in a shorthanded fashion that does not involve all of the requirements of antitrust analysis. As this section of the Article shows, numerous commentators have made telling critiques of the shorthand version of antitrust analysis that courts have engaged in when deciding misuse defenses. These critiques have been fairly persuasive. This section of the Article also shows that there also has been a shift in economic thinking in antitrust cases such that the Supreme Court has said it is inappropriate to find anticompetitive behavior simply from an instance of a patent or copyright owner tying sales of its patented or copyrighted goods to requirements to also buy other goods.<sup>150</sup> Thus, a defense of misuse based in antitrust policies may be inevitably on the decline. I argue, however, that while this fate may be appropriate for patent misuse, copyright misuse should not wither away, but instead should be refocused in a policy of First Amendment speech interests so that it can provide practical protections for speech and fair use interests that are provided by law but are often practically unavailable due to the unequal bargaining positions between copyright holders and those who would reuse portions of copyrighted works. Specifically, copyright misuse is unique as a defense because it focuses on the actions of the copyright holder, while other copyright defenses focus squarely on the actions of the allegedly infringing author.<sup>151</sup> In addition, a defendant can raise the equitable defense of misuse based on a copyright owner's misuse of its copyright as against any person, not just the defendant.<sup>152</sup> These two qualities of the existing misuse defense, when combined with the First Amendment focus advocated by this Article, would provide substantial incentive for copyright holders to avoid any instances of misuse,<sup>153</sup> and would encourage new authors

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<sup>150</sup> *Illinois Tool Works Inc. v. Independent Ink, Inc.*, 547 U.S. 28 (2006).

<sup>151</sup> See e.g., Note: *Clarifying the Copyright Misuse Defense: The Role of Antitrust Standards and First Amendment Values*, 104 HARV. L. REV. 1289, 1306 (1991) (“Unlike misuse doctrine, however, the fair use inquiry directs courts’ attention to the social value of the defendant’s conduct rather than the social harm caused by plaintiff’s use of its copyright.”); Kathryn Judge, *Rethinking Copyright Misuse*, 57 STAN. L. REV. 901, 915 (2004) (“Copyright misuse is one of the only copyright-limiting doctrines that arises from actions taken by the copyright holder.”); JESSICA LITMAN, *DIGITAL COPYRIGHT* 179-84 (2001) (advocating a return to a copyright framework that is comprehensible to ordinary consumers).

<sup>152</sup> *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 979 (4th Cir. 1990) (“the defense of copyright misuse is available even if the defendants themselves have not been injured by the misuse”).

<sup>153</sup> Kathryn Judge, *Rethinking Copyright Misuse*, 57 STAN. L. REV. 901, 932-33 (2004) (“Cease-and-desist letters can be a legitimate means for copyright holders to prevent ongoing copyright infringement. If a copyright holder uses such letters for this purpose by sending letters only to parties he reasonably believes are engaged in infringement and the letters accurately state the copyright holder’s rights and the potential ramifications for infringement, he will likely be engaged in a lawful exercise of his rights. As such, he should not be prevented from seeking relief, including injunctive relief, from the courts.

to create new critical or transformative speech that they have the legal right to make under fair use and the First Amendment.

I explain in this part of the Article the evolution of copyright misuse and the critiques of antitrust-based misuse. In Part V, I lay out the case for shifting the policy basis for the copyright misuse defense firmly to First Amendment principles.

#### A. Copyright Misuse's Growth Out of Antitrust-Based Patent Misuse

The doctrine of copyright misuse is an equitable defense similar to the common law doctrine of unclean hands.<sup>154</sup> It is based on the notion that courts should deny any relief to a plaintiff if he has come to the court while engaging in improper behavior himself. Correspondingly, a finding of copyright misuse acts to bar the plaintiff from recovering any damages or injunctive relief for so long as the misuse continues.<sup>155</sup> It is important to note that a plaintiff can cure his inequitable behavior and return to court to seek relief against an alleged infringer.<sup>156</sup>

Copyright misuse's roots lie in the analogous doctrine of patent misuse. In *Morton Salt Co. v. G.S. Suppiger Co.*, the Supreme Court first recognized patent misuse in a case involving tying arrangements.<sup>157</sup> Tying is the practice of making a sale or license of a product contingent on the purchase of some other good. In *Morton Salt*, plaintiff licensed a patented machine for depositing salt tablets into cans and required its licensees to also purchase its salt tablets, which were not covered under the scope of the patent.<sup>158</sup> The Court found that this practice was an impermissible attempt to expand the

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Without a vibrant doctrine of copyright misuse, however, a copyright holder has no incentive not to abuse this lawful tool. He could send such letters to anyone who criticizes his product, and he could exaggerate or even lie about the potential repercussions.”)

<sup>154</sup> See e.g., Note: *Clarifying the Copyright Misuse Defense: The Role of Antitrust Standards and First Amendment Values*, 104 HARV. L. REV. 1289, 1295 (1991) (“[C]ourts generally have viewed misuse doctrine as deriving from the equitable principle of unclean hands.”); Brett M. Frischmann & Daniel Moylan, *The Evolving Common Law Doctrine of Copyright Misuse: A Unified Theory and its Application to Software*, 15 BERKELEY TECH. L.J. 865, 867 (2000) (“Intellectual property misuse is a common law defense to infringement that derives from the equitable doctrine of ‘unclean hands.’”).

<sup>155</sup> John T. Cross & Peter K. Yu, *Competition Law and Copyright Misuse*, 56 DRAKE L. REV. 427, 458-59 (2008) (“Rather than criminal penalties or treble damages under U.S. antitrust law, the sole penalty for copyright misuse is the inability to sue for infringement. That penalty exists only so long as the misuse continues...The doctrine of ‘unclean hands’ is a traditional defense available in actions in equity. It applies when the party bringing suit has engaged in certain questionable conduct in connection with the action and when the conduct is sufficiently egregious to warrant denying relief.”).

<sup>156</sup> Jennifer R. Knight, Comment, *Copyright Misuse v. Freedom of Contract: And the Winner is...*, 73 TENN. L. REV. 237, 261 (2006); see also *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 979, n.22 (4th Cir. 1990) (“This holding, of course, is not an invalidation of Lasercomb’s copyright. Lasercomb is free to bring a suit for infringement once it has purged itself of the misuse.”).

<sup>157</sup> *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488 (1942).

<sup>158</sup> *Id.* at 490.

reach of the patent.<sup>159</sup> The Court held that Morton Salt's misuse of its patent meant that plaintiff could not pursue its patent infringement suit against the defendant, who was a competitor of Morton Salt in manufacturing and selling salt-injecting equipment as well as unpatented salt tablets.<sup>160</sup> Thus we see that the sanction of a finding of misuse can be severe. Once the Court determined that Morton's conduct with its patent was inappropriate (the effort to tie the license to other purchases with respect to at least some licensees), the Court denied Morton Salt any ability to pursue a patent claim against the defendant. This was the outcome even though the amendment that had no contractual relationship with Morton and was allegedly manufacturing and selling a directly infringing machine.<sup>161</sup> While the general rule for patent misuse is that a patent owner can assert its patents again once it has cured the misuse,<sup>162</sup> the Court in Morton Salt did not indicate openness to any assertion of the patent right in the future.<sup>163</sup> Thus, Morton Salt's bad behavior with its patent *vis a vis* some parties ultimately prevented Morton Salt from enforcing that patent against anyone.

Since *Morton Salt*, the doctrine of patent misuse has been further developed by the courts.<sup>164</sup> While the doctrine relies greatly on antitrust law, courts have taken a looser, more shorthand approach to analyzing potentially anticompetitive conduct under patent misuse cases than when engaging formally in antitrust decisionmaking.<sup>165</sup> For instance, the burden of proof for defendants invoking misuse is different than for a plaintiff in an antitrust case. Patent misuse seems to require neither the showing of dominant market position nor direct harm to the defendant that is required in tying cases under antitrust law.<sup>166</sup> Second, as an equitable defense, misuse simply bars recovery, but does not entitle

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<sup>159</sup> *Id.* at 491. Note that by determining that Morton Salt's patent was unenforceable due to patent misuse, the Court decided the issue of anticompetitive conduct without requiring Morton Salt's competitor to prove the traditional elements of an antitrust tying claim: market power, market foreclosure, or injury to competition. For further discussion of this, see James B. Kobak, Jr., *The Misuse Defense and Intellectual Property Litigation*, 1 B.U. J. SCI. & TECH. L. 2, 7 (1995).

<sup>160</sup> *Id.* at 490-91.

<sup>161</sup> *Id.* at 494.

<sup>162</sup> See *B. Braun Medical Inc. v. Abbott Laboratories*, 124 F.3d 1419, 1427 (Fed. Cir. 1997) (sanction for patent misuse is that the patent is rendered unenforceable until such time as the misuse has been cured).

<sup>163</sup> *Morton Salt*, 314 U.S. at 494 (1942).

<sup>164</sup> Brett M. Frischmann & Daniel Moylan, *The Evolving Common Law Doctrine of Copyright Misuse: A Unified Theory and its Application to Software*, 15 BERKELEY TECH. L.J. 865, 868 (2000) ("Today, patent misuse is a well-established doctrine where courts generally apply antitrust principles to determine whether a patentee's use is misuse.").

<sup>165</sup> Cross & Yu, *supra* note 155, at 457 ("On the surface, *Lasercomb* looks much like an antitrust case. When one digs deeper, however, there are several important differences between the doctrine of copyright misuse and the antitrust law doctrines discussed earlier.").

<sup>166</sup> *Eastman Kodak v. Image Tech. Servs.*, 504 U.S. 451, 462 (1992). See also, Ekstrand, *supra* note 73, at 571 ("Antitrust law requires the demonstration of anticompetitive practice by those with dominant market position. Those patentees who misuse their grant are not required to be major market players. Furthermore, antitrust actions require a showing of harm to the plaintiff...").

the defendant to any kind of damages from plaintiff.<sup>167</sup> But as *Morton Salt* showed,<sup>168</sup> even though no money damages can be asserted against a patent owner on the basis of a holding of patent misuse, the prohibition on enforcing its patent rights *against anyone* can be a powerful deterrent to a patent owner.

In 1988, Congress codified the patent misuse defense.<sup>169</sup> The codification was done largely to specify some limits to the defense, as was made clear by Congress calling the bill the Patent Misuse Reform Act.<sup>170</sup> But reflecting a growing understanding that not all tying agreements related to sales or licenses of patented goods are anticompetitive, the statute also prohibits the patent misuse defense based on tying unless the defendant can show that the patent owner had market power in the market for the patented product.<sup>171</sup>

The first time a court applied the misuse defense to copyright came six years after *Morton Salt* in the case of *M. Witmark & Sons v. Jensen*.<sup>172</sup> Here too the court based its copyright misuse inquiry in antitrust policy and looked at whether the copyright holders used their copyrights in anticompetitive ways. The conduct at issue was another tying arrangement, this time with respect to copyrighted music instead of patented goods.<sup>173</sup> Defendants were movie theater owners who were sued by the American Society of Composers, Authors, and Publishers (“ASCAP”) for showing movies without licensing the public performance rights to the music contained in the movies. The motion picture producers purchased synchronization rights (which gave only the right to synchronize the music with the movie as part of the movie soundtrack), but individual movie theaters were left to purchase performance licenses for the music directly from ASCAP.<sup>174</sup> For years ASCAP provided blanket licenses to movie theaters so that the theaters could show any movies in which ASCAP member artists had copyrights.<sup>175</sup> Defendants claimed that the nature of the movie distribution business meant that they only learned shortly before exhibition what movies they would be showing.<sup>176</sup> Thus, although defendants had the legal right to individually negotiate licenses with each artist holding a copyright in the music in each movie, as a practical matter, there was no time to complete individual licenses before the movie opened in their theaters.<sup>177</sup> The defendants thus accused ASCAP of having a business practice that allowed ASCAP to hold up theater owners for licenses to the music in the movies.<sup>178</sup> Defendants seemed to believe that if the movie

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<sup>167</sup> Cross & Yu, *supra* note 155, at 458-59.

<sup>168</sup> *Morton Salt*, 314 U.S. at 494 (1942).

<sup>169</sup> 35 U.S.C. § 271(d) (2006).

<sup>170</sup> Patent Misuse Reform Act, Pub. L. No. 100-703, 102 Stat. 4676 (1988) (codified at 35 U.S.C. § 271(d)(4) & (5)).

<sup>171</sup> 35 U.S.C. § 271(d)(5).

<sup>172</sup> *M. Witmark & Sons v. Jensen*, 80 F. Supp. 843 (D. Minn. 1948).

<sup>173</sup> *Id.* at 848-49.

<sup>174</sup> *Id.* at 844-45.

<sup>175</sup> *Id.* at 845-56.

<sup>176</sup> *Id.* at 845.

<sup>177</sup> *Id.*

<sup>178</sup> *Id.* at 845 (“The performance rights of any musical composition controlled by ASCAP may be licensed singly, but it appears that ASCAP’s copyrighted music is always licensed as a group under a blanket license from ASCAP. And while the copyright

producers negotiated for public performance licenses along with their synchronization licenses, then ASCAP would not be able to charge such high prices for the music, or the movie producers could negotiate with the individual copyright holders directly. Because of ASCAP's licensing practices, however, over 80% of theaters purchased blanket licenses from ASCAP.<sup>179</sup>

Eventually, the defendants in this case refused to purchase performance licenses for music for some movies and ASCAP sued. Defendants argued that under the circumstances, ASCAP was tying a requirement to license all of its music in a blanket license to the licensing of the music in the movies.<sup>180</sup> The court found that the tying arrangement violated both antitrust law and constituted misuse. The court held that ASCAP was improperly trying to extend the copyright owners' rights to compensation for individual songs to a requirement that theater owners license all ASCAP songs.<sup>181</sup> Importantly, the court did not bother to determine whether antitrust law gave defendants the right to not purchase ASCAP's blanket licenses. Instead, the court held that the finding of misuse sufficed as a reason to refuse to enforce plaintiffs' copyrights against any theater owners.<sup>182</sup> This shows an example of a court using copyright to enforce antitrust values without needing to determine whether all of the elements for the proposed remedy could be found in antitrust law. It also shows the powerful effect of a finding of copyright misuse—plaintiffs were unable to enforce their copyrights against the theater owners, who were thus left to freely engage in activity that otherwise was plainly infringing—publicly performing copyrighted music without a performance license.

More recently, additional courts have recognized a defense of copyright misuse, some of them on grounds not based solely in antitrust concerns. In the 1990 case of *Lasercomb America, Inc. v. Reynolds*,<sup>183</sup> the Fourth Circuit considered whether restrictive license provisions constituted misuse. Lasercomb America licensed manufacturing die-design software to users with a license provision requiring licensees to not create a competing product for 99 years.<sup>184</sup> Holiday Steel, defendant Reynold's employer, created

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owners, including the plaintiffs herein...may deal individually with anyone seeking a license for the performance of their compositions publicly for profit, it seems that, in the licensing of the performance rights of the music integrated in a sound film, as a matter of practice theatre owners have but little opportunity to obtain licenses from the many individual copyright owners belonging to ASCAP who may have copyrighted music in the particular film purchased by the theatre owner.”).

<sup>179</sup> *Id.*

<sup>180</sup> *Id.*

<sup>181</sup> *Id.* at 850 (“One who unlawfully exceeds his copyright monopoly and violates the anti-trust laws is not outside the pale of the law, but where the Court’s aid is requested, as noted herein, and the granting thereof would tend to serve the plaintiffs in their plan...to extend their copyrights in a monopolist control beyond their proper scope, it should be denied.”).

<sup>182</sup> *Id.* (“In view of the Court’s finding that the copyright monopoly has been extended, it is not necessary to determine whether anti-trust violations alone would deprive plaintiffs of the right of recovery.”).

<sup>183</sup> *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990).

<sup>184</sup> *Id.* at 973.

just such a product and was sued for infringement.<sup>185</sup> Holiday Steel had received the agreement requiring it not to create a competing product, but it never signed and returned the document. Holiday Steel then proceeded to break Lasercomb's copy protections and make extra, unlicensed copies of Lasercomb's software for its internal use. Having succeeded at that, Holiday Steel eventually made additional copies of Lasercomb's software, tried to disguise it as its own, and marketed the software as its own. When it learned of Holiday Steel's activities, Lasercomb promptly sued for, *inter alia*, copyright infringement.

Defendants argued that Lasercomb should not be allowed to enforce its copyrights against them because Lasercomb had misused its copyright by requiring licensees not to create competing products for 99 years. The district court dismissed this argument because defendants had not signed the agreement. But the Ninth Circuit reversed, holding that since some licensees did sign the agreement, Lasercomb had misused its copyright and therefore could not enforce it against anyone, including those who did not sign the agreement, like Holiday Steel.<sup>186</sup> The *Lasercomb* court held that by preventing licensees from entering the product space, the plaintiff had impermissibly used its copyright to protect an idea rather than its expression.<sup>187</sup> The court held that showing an antitrust violation was not essential to establish misuse.<sup>188</sup> Instead, said the court, a plaintiff need only use its copyright in a manner violative of the public policies underlying copyright law to commit misuse.<sup>189</sup> Although the court couched its language in terms of public policy, it is important to note that the court based its finding of copyright misuse on Lasercomb's anticompetitive behavior. Specifically, the court did not like Lasercomb's licensing of its copyright based on the agreement that its licensees would not compete with Lasercomb for 99 years.<sup>190</sup> The court did not set forth a new basis for finding misuse, but rather used misuse as a shorthand way to avoid a full antitrust inquiry, even though agreements not to compete and use of market power to prevent competition are core behaviors that antitrust law seeks to prevent.<sup>191</sup>

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<sup>185</sup> *Id.* at 971-72.

<sup>186</sup> *Id.* at 979.

<sup>187</sup> *Id.* at 978 (“Lasercomb undoubtedly has the right to protect against copying of the Interact code. Its standard licensing agreement, however, goes much further and essentially attempts to suppress any attempt by the licensee to independently implement the idea which Interact expresses.”).

<sup>188</sup> *Id.* (“So while it is true that the attempted use of a copyright to violate antitrust law probably would give rise to a misuse of copyright defense, the converse is not necessarily true—a misuse need not be a violation of antitrust law in order to comprise an equitable defense to an infringement action.”).

<sup>189</sup> *Id.* (“The question is not whether the copyright is being used in a manner violative of antitrust law (such as whether the licensing agreement is “reasonable”), but whether the copyright is being used in a manner violative of the public policy embodied in the grant of a copyright.”).

<sup>190</sup> *Id.* at 973.

<sup>191</sup> *See* United States v. American Tobacco Co., 221 U.S. 106, 179, 31 S. Ct. 632, 648, 55 L. Ed. 663, 693-94 (1911) (“‘restraint of trade’ at common law and in the law of this country at the time of the adoption of the antitrust act only embraced acts or contracts or agreements or combinations which operated to the prejudice of the public interests by

Instead the court stated that any use of a copyright to “secure an exclusive right or limited monopoly” beyond the copyright grant is contrary to the public policy of copyright. Under this tautological formulation, any licensing requirements found to be unrelated to the rights under the copyright grant can be subject to attack as misuse. Moreover, by ignoring the antitrust law that has grown up to make sophisticated judgments about when license restrictions or tying is anticompetitive, the court left itself open to crude judgments about competition that do not reflect the maturity of antitrust law. Nevertheless, *Lasercomb* marked the first time a court explicitly found copyright misuse and denied relief to a plaintiff based on the doctrine alone. Since the 1990 ruling, several courts have considered similar cases and adopted the Fourth Circuit’s interpretation of misuse.

The Ninth Circuit adopted *Lasercomb*’s approach in *Practice Management v. American Medical Association*. That case involved another restrictive license provision as a basis for finding misuse.<sup>192</sup> The American Medical Association (AMA) copyrighted a series of codes used for designating medical procedures and licensed their use with the provision that the licensee use no other system of codes.<sup>193</sup> The Ninth Circuit held that the AMA had misused its copyright on the same grounds as in *Lasercomb*; specifically for licensing the copyright in the codes on the condition that licensees not use a competitor’s service.<sup>194</sup> The court also stated that a strict violation of antitrust law was not necessary to show misuse.<sup>195</sup> But the court still based its finding of misuse on the same policy concerns underlying antitrust law. The court clearly thought the AMA’s requirement of exclusive dealing from its copyright licensees was anticompetitive.

In *Alcatel USA, Inc. v. DGI Technologies, Inc.*,<sup>196</sup> the Fifth Circuit joined the Fourth and Ninth in recognizing copyright misuse, also relying on an implicit antitrust violation. In *Alcatel*, DGI was sued for infringement because it reverse engineered copyrighted software in order to produce compatible replacement hardware used in Alcatel telephone switches. Alcatel did not possess patents on the telephone switches themselves, but had copyrighted the operating system controlling the switch. The court found that Alcatel misused its copyright in leveraging it to claim patent-like protection

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unduly restricting competition or unduly obstructing the due course of trade or which, either because of their inherent nature or effect, or because of the evident purpose of the acts, etc., injuriously restrained trade...”); *Appalachian Coals, Inc. v. United States*, 288 U.S. 344, 359-60 (1933) (stating that the purpose of antitrust law is “to prevent undue restraints of interstate commerce, to maintain its appropriate freedom in the public interest, to afford protection from the subversive or coercive interferences of monopolistic endeavor.”).

<sup>192</sup> *Practice Management Information Corp. v. American Medical Ass’n*, 121 F.3d 516 (9th Cir. 1997).

<sup>193</sup> *Id.* at 517-18.

<sup>194</sup> *Id.* at 520 (“On the undisputed facts in the record before us, we conclude the AMA misused its copyright by licensing the CPT to HCFA in exchange for HCFA’s agreement not to use a competing coding system.”).

<sup>195</sup> *Id.* at 521 (“We agree with the Fourth Circuit that a defendant in a copyright infringement suit need not prove an antitrust violation to prevail on a copyright misuse defense.”).

<sup>196</sup> *Alcatel USA, Inc. v. DGI Technologies, Inc.*, 166 F.3d 772 (5th Cir. 1999).

over the hardware.<sup>197</sup> The court held that Alcatel's anticompetitive practices with regard to trying to extend its copyrights to cover hardware constituted misuse.<sup>198</sup>

The Supreme Court has yet to rule on the extension of misuse to copyright, but some scholars believe that several cases indicate possible acceptance by the Court.<sup>199</sup> These cases each involve activities that raise antitrust-type concerns about anticompetitive behavior. In each case, defendants raised misuse defenses, but the Court ultimately decided for defendants solely on antitrust grounds. In *United States v. Loew's, Inc.* and *United States v. Paramount Pictures, Inc.* the court found the block booking practice to be a violation of antitrust law using logic similar to patent misuse decisions.<sup>200</sup> The practice of block booking is very similar to tying; copyright owners make licenses to popular works contingent on the purchase of licenses to less desirable content. Theoretically, this allows copyright owners to leverage their economic power beyond their "copyright monopoly."<sup>201</sup> The Court accordingly held that the practices were anticompetitive in violation of the antitrust laws. But the opinions also included language suggesting that the copyright owners were engaged in activity that misused their copyrights by attempting to use them to capture additional exclusive rights outside of their copyright grants.<sup>202</sup>

*Broadcast Media, Inc. v. CBS, Inc.* ("BMP") involved somewhat similar facts. There the Supreme Court considered a Second Circuit finding that Broadcast Media had

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<sup>197</sup> *Id.* at 793 ("DSC indirectly seeks to obtain patent-like protection of its hardware-its microprocessor card-through the enforcement of its software copyright.").

<sup>198</sup> *Id.* at 793-4 ("Any competing microprocessor card developed for use on DSC phone switches must be compatible with DSC's copyrighted operating system software. In order to ensure that its card is compatible, a competitor such as DGI must test the card on a DSC phone switch. Such a test necessarily involves making a copy of DSC's copyrighted operating system, which copy is downloaded into the card's memory when the card is booted up. If DSC is allowed to prevent such copying, then it can prevent anyone from developing a competing microprocessor card, even though it has not patented the card.").

<sup>199</sup> See Scott A. Miskimon, *Divorcing Public Policy from Economic Reality: The Fourth Circuit's Copyright Misuse Doctrine in Lasercomb America, Inc. v. Reynolds*, 69 N.C. L. Rev. 1672, 1683-84 (1991) ("In *United States v. Paramount Pictures, Inc.* the Supreme Court implicitly recognized the copyright misuse defense...In *United States v. Loew's, Inc.* the...Court's specific reference to the patent misuse defense...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.").

<sup>200</sup> e.g., *U.S. v. Loew's, Inc.*, 371 US 38 (1962); *U.S. v. Paramount Pictures*, 334 US 131 (1948); See Victoria Smith Ekstrand, *Protecting the Public Policy Rationale of Copyright: Reconsidering Copyright Misuse*, 11 COMM. L. & POL'Y 565, 572 (2006).

<sup>201</sup> *But see infra* notes 231-241 and accompanying text for critiques of whether tying actually allows monopolists to increase their economic power.

<sup>202</sup> *U.S. v. Loew's, Inc.*, 371 U.S. at 49 ("Accommodation between the statutorily dispensed monopoly in the combination of contents in the patented or copyrighted product and the statutory principles of free competition demands that extension of the patent or copyright monopoly by the use of tying agreements be strictly confined"); *U.S. v. Paramount Pictures*, 334 U.S. at 154 ("[T]he pooling of the purchasing power of an entire circuit in bidding for films is a misuse of monopoly power").



committed a per se violation of antitrust law and committed copyright misuse.<sup>203</sup> In *BMI*, Columbia Broadcasting System, Inc. (“CBS”) sued the copyright royalty collecting societies of ASCAP and BMI, as well as their members and affiliates, alleging antitrust violations and copyright misuse for the societies’ practice of issuing blanket licenses to television stations like CBS for use of copyrighted music in television programming.<sup>204</sup> CBS alleged that ASCAP and BMI’s practice of issuing blanket licenses amounted to price fixing by the individual copyright holder members of the two societies.<sup>205</sup> The Supreme Court reversed, holding that the blanket licenses at issue were not naked restraints on trade with only anticompetitive purposes.<sup>206</sup> Rather, the Court held that the license had the procompetitive features of integrating sales, and allowing monitoring and enforcement against unauthorized copying.<sup>207</sup> The blanket license also drastically diminished transaction costs by allowing purchasers to buy only one license rather than negotiating for each song they wanted to use.<sup>208</sup> Accordingly, the Court reversed the holding of *per se* antitrust violation, and remanded for analysis under the rule of reason.<sup>209</sup> The Court also reversed the copyright misuse ruling because the Court viewed it as dependent on the antitrust claim.<sup>210</sup> *BMI* is another example of copyright misuse claims that are closely tied to, if not duplicative of, antitrust claims. In *BMI*, once the court held that the actions of defendants had potential procompetitive features, the copyright misuse claim could not stand. Thus, while the Supreme Court has explicitly endorsed the patent misuse defense, it has never explicitly embraced the defense of copyright misuse. The Court has never condemned copyright misuse as a defense, and seems to think it may be appropriate where antitrust violations can be shown, but it has thus far not embraced the doctrine outright.

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<sup>203</sup> *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1 (1979).

<sup>204</sup> *Id.* at 4.

<sup>205</sup> *Id.* CBS did not make the tying argument that was successful for plaintiffs in *M. Witmark & Sons*—that ASCAP and BMI were tying the license of any one copyrighted work to the requirement to purchase a blanket license. Such a claim would not have been successful because ASCAP and BMI only had the right to make non-exclusive licenses of their members’ copyrighted works. *Broadcast Music, Inc.*, 441 U.S. at 4. Thus, television stations were free to negotiate directly with copyright owners if they wished. Moreover, since the television stations were in charge of their own programming, they could not very well argue that they were ignorant about what licenses they would need until the last minute, as did plaintiffs in *Witmark*. *M. Witmark & Sons*, 80 F. Supp. at 844-45.

<sup>206</sup> *Broadcast Music, Inc.*, 441 U.S. at 20.

<sup>207</sup> *Id.* at 20.

<sup>208</sup> *Id.* at 21-22 (“The blanket license is composed of the individual compositions plus the aggregating service. Here, the whole is truly greater than the sum of its parts; it is, to some extent, a different product. The blanket license has certain unique characteristics: It allows the licensee immediate use of covered compositions, without the delay of prior individual negotiations and great flexibility in the choice of musical material.”) (citations omitted).

<sup>209</sup> *Id.* at 24.

<sup>210</sup> *Id.* (“[T]his left the general import of its judgment that the licensing practices of ASCAP and BMI under the consent decree are per se violations of the Sherman Act. We reverse that judgment, and the copyright misuse judgment dependent upon it...”).

More recently, a few lower courts have hinted at, though not fully embraced, a First Amendment basis for copyright misuse. The 1991 district court case of *QAD, Inc. v. ALN Associates, Inc.* concerned copyrighted software.<sup>211</sup> The court allowed a copyright misuse defense that was based both on fraudulent claims the copyright owner made regarding which software it owned.<sup>212</sup> ALN, accused of creating an infringing product, argued for misuse and alleged that QAD itself had used software copyrighted by Hewlett Packard in its own program.<sup>213</sup> The court found this to be a basis for finding copyright misuse.<sup>214</sup> But in addition to basing its decision that QAD had misused its copyright on QAD's fraudulent behavior, the *QAD* court referenced the First Amendment, stating that because copyright derives from freedom of expression, a copyright is misused when improperly asserted to inhibit another's expression.<sup>215</sup>

It is important to note that the language of *QAD* makes clear that misuse based on First Amendment principles occurs only when another's expression is *improperly* and *excessively* inhibited. In certain situations, copyright allows owners to silence others despite their First Amendment speech rights, just as patents can allow monopoly power contrary to antitrust law. This principle is illustrated in *Video Pipeline, Inc. v. Buena Vista Home Entertainment*, where Video Pipeline accused Disney, Buena Vista's owners, of misuse because it included restrictions on criticism of Disney movies in its licensing agreements.<sup>216</sup> In considering the issue, the Third Circuit decided that the misuse doctrine as defined by *Lasercomb* was available, but not applicable given the facts.<sup>217</sup> The court

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<sup>211</sup> *QAD, Inc. v. ALN Associates, Inc.*, 770 F. Supp. 1261 (N.D. Ill. 1991).

<sup>212</sup> *Id.* at 1270-71.

<sup>213</sup> *Id.* at 1267 (“At the core of QAD’s copyright misuse is its use of material in MFG/PRO that is not only not QAD’s original work but work that was actually copied from HP250. Even worse, it was mostly that copied material that formed the focus of QAD’s case against ALN for copyright infringement at the early stages of this litigation, when QAD sought and received injunctive relief against ALN.”).

<sup>214</sup> *Id.* at 1270 (“QAD began to misuse its copyright over MFG/PRO when it attempted to extend its rights over material over which it had no copyright: those portions of its software that it copied from HP250... That copyright misuse extended QAD’s copyright privilege beyond the scope of the grant and violated the very purpose of a copyright, which is to give incentive for authors to produce.”).

<sup>215</sup> *Id.* at 1265 (“Just as freedom of expression is the fount of copyright protection, so a copyright may not be asserted improperly to inhibit other persons’ freedom of expression.”).

<sup>216</sup> *Video Pipeline, Inc. v. Buena Vista Home Entertainment, Inc.*, 342 F.3d 191, 203 (3rd Cir. 2003) (“The Website in which the Trailers are used may not be derogatory to or critical of the entertainment industry or of [Disney]... As Video Pipeline sees it, such licensing agreements seek to use copyright law to suppress criticism and, in so doing, misuse those laws, triggering the copyright misuse doctrine.”).

<sup>217</sup> *e.g.*, *Id.* at 206 (“Thus, while we extend the patent misuse doctrine to copyright, and recognize that it might operate beyond its traditional anti-competition context, we hold it inapplicable here. On this record Disney’s licensing agreements do not interfere significantly with copyright policy...”); Neal Hartzog, *Gaining Momentum: A Review of Recent Developments Surrounding the Expansion of the Copyright Misuse Doctrine and Analysis of the Doctrine in its Current Form*, 10 Mich. Telecomm. & Tech. L. Rev. 373, 387 (2004) (“Although the Third Circuit ultimately held that the copyright misuse

felt the restrictions on criticism did not inhibit licensee expression to such a degree that would constitute misuse, so the assertion of copyright was proper.<sup>218</sup>

Finally, in *Assessment Technologies v. WIREdata*, the Seventh Circuit ruled that the data at issue was not copyrightable, but the court also suggested that plaintiffs' claims of copyright where none existed might be copyright misuse.<sup>219</sup> In that case, Assessment Technologies contracted with municipalities to collect and organize property value data. When WIREdata tried to access this information the municipalities refused fearing they would be guilty of infringement. The Seventh Circuit ruled that copyright did not protect the raw data and suggested Assessment Technologies may be guilty of copyright misuse because they claimed protection over something clearly not included in the copyright grant.<sup>220</sup> The court also suggested that improperly asserting rights over defendants who lack the resources to resist could be misuse.<sup>221</sup>

Although the defense of copyright misuse has been growing in acceptance by the courts,<sup>222</sup> the Supreme Court has yet to decide that misuse is a valid defense, and several circuits still premise misuse on a showing of anticompetitive behavior.<sup>223</sup> This puts the

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doctrine was not applicable to the copyright owners, the court...officially recognized copyright misuse as a legitimate defense and adopted the public policy...analysis employed in *Lasercomb* and *Practice Management*.”).

<sup>218</sup> *Video Pipeline, Inc. v. Buena Vista Home Entertainment, Inc.*, 342 F.3d 191, 206 (3rd Cir. 2003) (“[W]e nonetheless cannot conclude on this record that the agreements are likely to interfere with creative expression to such a degree that they affect in any significant way the policy interest in increasing the public store of creative activity.”).

<sup>219</sup> *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 350 F.3d 640 (7th Cir. 2003).

<sup>220</sup> *Id.* at 646-47 (“To try by contract or otherwise to prevent the municipalities from revealing their own data, especially when, as we have seen, the complete data are unavailable anywhere else, might constitute copyright misuse.”).

<sup>221</sup> *Id.* at 647 (“The argument for applying copyright misuse beyond the bounds of antitrust...is that for a copyright owner to use an infringement suit to obtain property protection, here in data, that copyright law clearly does not confer, hoping to force a settlement or even achieve an outright victory over an opponent that may lack the resources or the legal sophistication to resist effectively, is an abuse of process.”).

<sup>222</sup> Neal Hartzog, *Gaining Momentum: A Review of Recent Developments Surrounding the Expansion of the Copyright Misuse Doctrine and Analysis of the Doctrine in its Current Form*, 10 Mich. Telecomm. & Tech. L. Rev. 373, 391 (2004) (“[T]he Third Circuit has become the fourth federal circuit court to explicitly adopt the copyright misuse doctrine...which signals a growing acceptance of the doctrine that will likely lead to its adoption in some form by all of the circuits, and inevitably the Supreme Court.”); Scott A. Sher, *In Re Napster Inc. Copyright Litigation: Defining the Contours of the Copyright Misuse Doctrine*, 18 Santa Clara Computer & High Tech. L.J. 325, 329-30 (2002) (“The copyright misuse doctrine as defined by *Lasercomb*...has been expressly recognized by four circuits. Several other circuits has been more reluctant to adopt the defense, and instead have adopted the doctrine...only where the defendant can link the misuse to an actual antitrust violation.”).

<sup>223</sup> e.g., *Id.* at 382; Victoria Smith Ekstrand, *Protecting the Public Policy Rationale of Copyright: Reconsidering Copyright Misuse*, 11 Comm. L. & Pol'y 565, 583 (2006) (“The courts in these cases...rejected notions that plaintiffs must first violate antitrust laws or infringe copyrights for defendants to assert the defense. However, they represent

copyright misuse defense at a crossroads. For while acceptance of copyright misuse has grown, in recent years, antitrust-based misuse has been subject to strong criticism, especially in the area of patent law. If these criticisms are accepted by courts, the defense of antitrust-based misuse may go into inevitable decline in both patent and copyright cases. I discuss the critiques of antitrust-based misuse in the following section. In Part V I argue that courts should chose a new road for misuse and base it in First Amendment principles.

## **B. Critiques of Patent and Copyright Misuse Based in Antitrust**

Curiously, at a time when copyright misuse seems to be catching on in the circuit courts as an analog to patent misuse, patent misuse itself may be on the decline as a defense courts are willing to apply in patent infringement suits. Although the patent misuse defense has a long history, its modern standing has been undercut by critiques both of patent misuse as a stand-alone defense to patent suits, and by shifting thinking on the anticompetitive effects of the supposedly anticompetitive conduct—principally tying arrangements—that previously have led courts to declare certain conduct patent misuse. Because these critiques of patent misuse apply with equal force to copyright misuse based in antitrust, I discuss the critiques of patent misuse in some detail.

### **1. Critique 1: Antitrust Interests Are Better Vindicated Directly Through Antitrust Claims**

The first critique of the existence of a patent misuse defense essentially asks why pursue a problem indirectly through patent law that could better be handled by antitrust law? The critique argues that antitrust values can be vindicated directly by antitrust law, and courts seeking to vindicate such interests through the patent misuse defense tend to ignore tests for anticompetitive effects—like market power—that are essential to accurately determining antitrust issues.<sup>224</sup> To the extent the misuse defense is based in antitrust and is thus concerned with tying or other attempts of the intellectual property holder to extend his patent or copyright monopoly, critics have argued that the analysis can be done directly under antitrust law with the addition of an antitrust claim.<sup>225</sup> So long

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a small fraction of cases compared to those in which the misuse defense was predicated upon a violation of antitrust law and a showing of harm to the defendant infringer.”); G. Gervaise Davis III, *The Affirmative Defense of Copyright Misuse and Efforts to Establish Trademark Misuse, and Fraud on the Copyright Office: Establishing Limitations on the Scope of Copyright Owners Rights Based on Several Theories*, 867 PLI/Pat 103, 126 (2006) (“Among these courts, three schools of thought predominate: (1) the view that misuse has nothing to do with antitrust principles...(2) the view that misuse requires a finding of antitrust violations...and (3) the intermediary approach reminiscent of the Fourth Circuit in *Lasercomb*...”).

<sup>224</sup> See Mark A. Lemley, Comment, *The Economic Irrationality of the Patent Misuse Doctrine*, 78 CAL. L. REV. 1599, 1613 (1990); Meg Dolan, *Misusing Misuse: Why Copyright Misuse Is Unnecessary*, 17 DEPAUL-LCA J. ART & ENT. L. 207 (2007).

<sup>225</sup> See Roger Arar, Note, *Redefining Copyright Misuse*, 81 COLUM. L. REV. 1291, 1310-11 (1981) (“[C]ourts applying a misuse defense can do no better than to look to substantive antitrust principles....”); Sean Michael Aylward, Comment, *The Fourth*

as the concern underlying a misuse claim is that specific behavior with regard to a patent or copyright is anticompetitive, there is no reason not to analyze such a claim within the formal structure of antitrust.<sup>226</sup> The possession of market power via a patent or copyright does not give the patent or copyright owner any greater opportunities for anticompetitive behavior than the market power that comes from having monopoly power over any other resource that customers or competitors find necessary. In either case, the relevant inquiry is whether the actions that the monopoly-holder is taking with respect to a particular property (whether it be IP or something else, like a railroad terminal) is likely to be more anticompetitive than procompetitive. Thus, the antitrust inquiry is similar whether a property owner ties an agreement not to compete to the license of a patent or to the provision of some other input that is necessary to a firm's business. In either case we should be concerned about anticompetitive effects to the extent that (1) the input (whether it be a patented product or any other input) does not have ready substitutes in the market such that others will not be able to compete for sales without the ability to make that input; (2) investing in making a substitute to the input is not practical; (3) there are no other factors that will discipline the monopolist's anticompetitive use of the input; and (4) there are no offsetting procompetitive effects.

Antitrust law doctrine has had decades of experience working through the examination of these questions. In contrast, patent proceeds here by making rough determinations of competitive effects via deciding misuse defenses without the formal requirements of finding an antitrust violation and thus increases the likelihood of erroneous decisions to the extent that the elements necessary to find an antitrust violation reflect the considered wisdom of the courts over the more than a century since the enactment of federal antitrust laws.<sup>227</sup>

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*Circuit's Extension of the Misuse Doctrine to the Area of Copyright: A Misuse of the Misuse Doctrine?*, 17 U. DAYTON L. REV. 661, 692-93 (1992) (noting that relying on antitrust principles for copyright misuse would "add stability and predictability to the doctrine of misuse."). *But see* Ilan Charnelle, *The Justification and Scope of the Copyright Misuse Doctrine and Its Independence of the Antitrust Laws*, 9 UCLA ENT. L. REV. 167, 198-99 (2002) (arguing that "[c]opyright misuse analysis does not and should not rest on antitrust law because antitrust law and copyright law view innovation and creativity in different manners," but then focusing on determining inappropriate tying without the benefit of antitrust law).

<sup>226</sup> See *USM Corp. v. SPS Technology, Inc.*, 694 F.2d 505 (7th Cir. 1982) (rejecting holding patent misuse claims to lower standards than antitrust claims, and explaining that "[o]ur law is not rich in... concepts of monopolistic abuse; and it is rather late in the day to try to develop one without in the process subjecting the rights of patent holders to debilitating uncertainty."). *But see* Kenneth J. Burchfiel, *Patent Misuse and Antitrust Reform: "Blessed be the Tie?"* 4 HARV. J. L. & TECH. 1 (1991) (defending doing shorthand analysis of allegedly anticompetitive behavior through patent misuse because the antitrust standard is difficult and expensive).

<sup>227</sup> *But see* Note, *Is the Patent Misuse Doctrine Obsolete?*, 110 HARV. L. REV. 1922, 1934-35 (1997) (arguing that there may be reason to apply the patent misuse defense to a larger scope of activity than antitrust law so as to protect innovation markets, but acknowledging the difficulty of coming up with an administrable system for deciding such misuse defenses); Ramsey Hanna, Note, *Misusing Antitrust: The Search for Functional Misuse Standards*, 46 STAN. L. REV. 401, 423-24 (1994) (arguing that a

## 2. Critique 2: Patent Uses That Courts Have Ruled Anticompetitive in the Past Actually May Be Harmless or Even Procompetitive

In *Illinois Tool Works Inc. v. Independent Ink, Inc.*,<sup>228</sup> The Supreme Court officially recognized the obvious fact that patents and copyrights do not necessarily give their owners market power.<sup>229</sup> In that case, the Court acknowledged that if there are market substitutes for the patented or copyrighted product, then the owner of the product will not be able to charge above-market prices because consumers will simply switch to available substitute goods if the patent or copyright owner raises her prices.<sup>230</sup> Thus, in many cases a patent or copyright gives its owner the right to exclude others from making exactly the patented or copyrighted product, but does not give any power to control the market for goods of the patented or copyrighted type.

The misuse defense is also being undercut by shifting thinking on the types of behavior that cause anticompetitive effects. Specifically, the single monopoly profit theory holds that a monopolist cannot extract the same monopoly profit twice simply by tying a product in a competitive market to sales of a product over which the monopolist has monopoly power.<sup>231</sup> Accordingly, a number of scholars have argued that when firms with monopoly power in a product engage in tying, there must be a procompetitive or efficiency reason for the tie.<sup>232</sup> For example, firms with market power in a product may engage in tying for the procompetitive reason of quality assurance. If a complex machine requires regular and delicate service, or works best with only certain parts, a seller of the machine may desire to tie service to the product to ensure that the machine's reputation for reliability is not damaged. Likewise, tying two goods together might decrease the cost

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narrow application of misuse independent of antitrust can take into account harm to long-term innovation that antitrust cannot adequately protect).

<sup>228</sup> *Illinois Tool Works Inc. v. Independent Ink, Inc.*, 547 U.S. 28 (2006).

<sup>229</sup> *Id.* at 35.

<sup>230</sup> *See id.* at 44-45.

<sup>231</sup> *See* Ward S. Bowman, Jr., *Tying Arrangements and the Leverage Problem*, 67 YALE L.J. 19, 21-23 (1957); Aaron Director and Edward H Levi, *Law and the Future: Trade Regulation*, 51 NW. U. L. REV. 281, 290-94 (1956); ROBERT BORK, *THE ANTITRUST PARADOX* (1978); RICHARD POSNER, *ANTITRUST LAW: AN ECONOMIC PERSPECTIVE* (2001); Thomas F. Cotter, *Misuse*, 44 HOUS. L. REV. 901, 939 note 169 (2007).

<sup>232</sup> *See, e.g.,* Bork, *supra* note 13; David S. Evans & A. Jorge Padilla, *Designing Antitrust Rules for Assessing Unilateral Practices: A Neo-Chicago Approach*, 72 U. CHI. L. REV. 73, 82 (2005) (when a monopolist engages in tying, the practice is presumed procompetitive); Alan J. Meese, *Antitrust Balancing in a (Near) Coasean World: The Case of Franchise Tying Contracts*, 95 MICH. L. REV. 111, 114 (1996) (tying is procompetitive and would be engaged in regardless of the presence of market power). Note that the terms "procompetitive" and "efficiency" are synonymous if by each we mean maximizing total welfare of society, including both producer and consumer welfare. But courts deciding antitrust cases have not thus far embraced as "procompetitive" actions that increase total welfare at the expense of consumer welfare. Thus, for example, while a firm with market power over a product can increase total welfare by engaging in perfect price discrimination, the amount of consumer welfare is decreased by the firm's price discrimination. Thus, although an economist would say that this is a welfare-enhancing move, a court may not.

of selling or delivering, or might increase value to consumers (e.g., selling batteries in packages with electronics).<sup>233</sup> In addition, tying may allow a seller to effectively provide financing to a purchaser of expensive equipment.<sup>234</sup> A seller could accomplish this by selling the equipment below price, and then charging prices greater than costs for products that need to be consumed to use the machine.<sup>235</sup> This would allow the customer to pay the full price of the equipment over time.<sup>236</sup> Finally, tying can allow price discrimination, which may either increase or decrease both consumer and total welfare.<sup>237</sup> Perfect price discrimination would eliminate all consumer surplus, but would also eliminate all deadweight loss from monopoly, thus giving maximum efficiency and the highest level of total welfare to society.<sup>238</sup> But partial price discrimination may result in situations that are neutral, or even harmful to total welfare, depending on the elasticities of consumers and other suppliers.<sup>239</sup> In addition, some have argued that price

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<sup>233</sup> For an overview of how tying be efficient and welfare-enhancing, see EINER ELHAUGE, *UNITED STATES ANTITRUST LAW AND ECONOMICS*, 357-58 (2008).

<sup>234</sup> *Id.*

<sup>235</sup> *Id.*

<sup>236</sup> *Id.*

<sup>237</sup> Einer Elhauge, *Tying, Bundled Discounts, and the Death of the single Monopoly Profit Theory*, 123 HARV. L. REV. 397, 427 (2009).

<sup>238</sup> *See id.* at 480, n.7. (“At a uniform monopoly price, buyers who value the product above that price enjoy consumer surplus. Perfect price discrimination transfers all that consumer surplus to the seller...[and in turn] increases total ex post welfare because it eliminates all deadweight loss by producing all output that some buyer values above cost.”); RICHARD POSNER, *ANTITRUST LAW: AN ECONOMIC PERSPECTIVE* 183, 206-07 (1976); HOVENKAMP, *ECONOMICS AND FEDERAL ANTITRUST LAW* 231 (1985); ROBERT BORK, *THE ANTITRUST PARADOX: A POLICY AT WAR WITH ITSELF* 295, 375 (1978). Daniel Clough, *Law and Economics of Vertical Restraints in Australia*, 25 MELB. U. L. REV. 551, 555 (2001).

<sup>239</sup> *See* Michael L. Katz, *Nonuniform Pricing, Output and Welfare Under Monopoly*, 50 REV. ECON. STUD. 37 (1983) (noting that a move from uniform pricing to second-degree price discrimination creates unpredictable effects for social welfare); Marius Schwartz, *Third-Degree Price Discrimination and Output: Generalizing a Welfare Result*, 80 AM. ECON. REV. 1259 (1990) (contending that, within a partial equilibrium analysis, a change from uniform pricing to third-degree price discrimination will in some cases increase welfare and in others it will be reduced); Yochai Benkler, *An Unhurried View of Private Ordering in Information Transactions*, 53 VAND. L. REV. 2063 (2000) (arguing that because price discrimination is costly to implement, whether it is socially beneficial will depend on whether enhanced consumer access to excludable works will outweigh the loss from reduction in free access to previously non-excluded works); Julie E. Cohen, *Copyright and the Perfect Curve*, 53 VAND. L. REV. 1799 (2000) (noting that evidence from real life implies that contractual price discrimination is not as streamlined as some proponents contend); Wendy J. Gordon, *Intellectual Property as Price Discrimination: Implications for Contract*, 73 CHI.-KENT. L. REV. 1367 (1998) (finding that price discrimination at best mitigates the undesirable effects of monopolies, but that it may “raise price and reduce quantities, without yielding any incentive payoff large enough to compensate”); Michael J. Meurer, *Price Discrimination, Personal Use and Piracy: Copyright Protection of Digital Works*, 45 BUFF. L. REV. 845 (1997) (expressing doubts about whether price discrimination results in efficiency gains).

discrimination may allow a patent holder to extract more return on its invention than Congress intended.<sup>240</sup>

Of course, while there are the above possible procompetitive effects from tying, in any particular case a monopolist may argue falsely that its tying behavior has a procompetitive. For instance, arguments that other service or parts providers will provide inferior service or parts, or that tying reduces costs may be false or pretextual.

In addition, scholars have made a number of critiques of the single monopoly profit theory, and have argued that there are situations in which a monopolist can, indeed, leverage its monopoly in one product into excess power in another market. For instance, tying may allow a monopolist to price in the tying and tied market in such a way that a potential new entrant who can enter only one of the markets is deterred from making the cost investment to enter that market because the returns to investment are low.<sup>241</sup>

### C. Whither Misuse Defenses Based on Antitrust Principles?

The critiques and counter-critiques of both antitrust-based misuse defenses and of tying more generally lead one to ask: will a patent or copyright misuse defense based on antitrust principles continue to be viable? There is much to learn from studying the modern debate on patent and copyright misuse and on tying, but how shall we decide cases while the debate is ongoing? It turns out that attempting to apply modern, sophisticated economic analysis to determine whether the conduct in “traditional” patent misuse cases is actually anticompetitive is quite difficult, at least without substantially more evidence.

For instance, in *Morton Salt*,<sup>242</sup> the defendant might have made a quality argument to justify its tying. In the very similar case of *International Salt v. United States*,<sup>243</sup> the defendant made just such an argument.<sup>244</sup> Recall that Morton Salt tied a requirement to buy salt tablets to its sales of its patented salt-tablet insertion equipment that was used in industrial canning processes.<sup>245</sup> Similarly, International Salt leased its patented salt-injection equipment to industrial canners contingent on the industrial canners buying their salt from International Salt.<sup>246</sup> When accused of anticompetitive

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<sup>240</sup> Louis Kaplow, *The Patent-Antitrust Intersection: A Reappraisal*, 97 HARV L. REV. 1815 (1984) (“price discrimination also raises the problem of disproportionately high rewards to patentees, which . . . can make for bad patent policy independent of how such discrimination fares under antitrust analysis.”).

<sup>241</sup> See Barry Nalebuff, *Bundling as an Entry Barrier*, 119 Q.J. ECON. 159, 160-61 (2004); Michael D. Whinston, *Tying, Foreclosure, and Exclusion*, 80 AM. ECON. REV. 837, 840-46 (1990).

<sup>242</sup> *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488 (1942).

<sup>243</sup> *International Salt v. United States*, 332 U.S. 392 (1947).

<sup>244</sup> *Id.* at 396-97.

<sup>245</sup> *Morton*, 314 U.S. at 490-91/

<sup>246</sup> *International Salt*, 332 U.S. at 394-95. It is interesting to note that while Morton Salt was ruled to have misused its patents, the patent misuse defense does not seem to have been raised in *International Salt*. It certainly was not addressed by the Supreme Court, at any rate. This shows how duplicative an antitrust-based misuse defense can be of



tying, just as Morton Salt was, International Salt sought to justify its tying arrangement by arguing that the tie increased the longevity of its equipment. Specifically, International Salt argued that competitors' salts had lower sodium chloride content and higher percentages of insoluble impurities, which disturbed the functioning of International Salt's equipment and increased maintenance costs. Because International Salt was obligated to repair and maintain the machines under the leases,<sup>247</sup> it argued that it was reasonable to require that its own high quality salt be purchased by the equipment lessees.

International Salt also argued that the structure of its tying arrangement prevented it from extracting above-market prices for salt because International Salt only had a right of first refusal to make the salt sales.<sup>248</sup> If a customer could find salt of equal quality for a lower price than International Salt offered, then the customer was obligated to notify International Salt and give it an opportunity to match the price.<sup>249</sup> But if International Salt did not match the price, the agreement allowed the customer to buy from the lower-priced salt provider.<sup>250</sup> In the end, the Court rejected International Salt's defenses, holding that if International Salt was really concerned that only high quality salt be used in its machines, a less-restrictive means of achieving that goal was simply to require the use of salt above a certain grade as a condition of the lease.<sup>251</sup>

Notwithstanding the Court's decision in *International Salt*, the facts of the case cast doubt on an anticompetitive effect from the tying at issue. First, the Court did not require any showing of any significant foreclosure in the salt market.<sup>252</sup> Second, the Court's proposed less-restrictive alternative—that International Salt simply require the use of high-grade salt as a condition of the lease—was unlikely to assure the usage of high quality salt so long as International Salt had the responsibility to repair and maintain the machines. In such a situation, the industrial canners would have an incentive to use lower-quality, lower-priced salt, and let the costs of extra maintenance fall on International Salt. So the tie could very well have been the most efficient way to assure that high quality salt was used. Moreover, the requirement that International Salt match the price of its lowest-price competitor for equivalent quality salt meant that International Salt could not supracompetitively price its salt unless there was collusion in the entire salt market.

But note that it is still possible that the tying in *International Salt* allowed some kind of anticompetitive behavior, such as price leadership if the market was collusive (although that is hard to imagine in a market for a staple product like salt). Or

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conventional antitrust analysis.

<sup>247</sup> Note that this was also a tie: service was tied to the lease of the patented equipment. This tie did not seem to concern the Court, however, suggesting that the Court implicitly thought some ties could be beneficial.

<sup>248</sup> *International Salt*, 332 U.S. at 396-97.

<sup>249</sup> *Id.*

<sup>250</sup> *Id.*

<sup>251</sup> *Id.* at 397.

<sup>252</sup> In fact, scholarly analysis casts doubt on any market foreclosure. See J. Peterman, *The International Salt Case*, 22 J.L. & ECON. 351 (1979) (finding that salt sales made to supply one of International Salt's two types of leased machines accounted for only 4% of salt sales in the relevant geographic areas).

International Salt may have falsely asserted that a competitor's lower-priced salt was of lower quality, and thus that customers were obligated to buy International Salt's higher-priced salt. But one would think that competitors could prove the quality of their salt fairly easily. And even if International Salt were able to tie its salt to its equipment and charge supracompetitive prices for the salt, it is hard to see how International Salt would have been able to get more than a single monopoly profit here, as there does not seem to have been any likelihood that the tie could foreclose a significant amount of the salt market.

Likewise, the outcome of cases regarding block booking movies, like *United States v. Loew's*,<sup>253</sup> and *United States v. Paramount*,<sup>254</sup> would be uncertain in light of the modern sophisticated economic critiques and defenses of misuse defenses and tying practices. The foreclosure effect from block booking is certainly much greater than the foreclosure effect in the salt market in *Morton Salt*. Loews or Paramount may have been able to keep rivals out of certain markets by block booking, especially if there were specific costs to getting into certain markets (although no obvious reasons for large entry costs come to mind). But there may also have been efficiency cost-saving reasons for block booking, and the single monopoly profit theory may apply here as one would expect theater owners to look at the costs of showing the block of movies from Loews or Paramount as opposed to the costs of showing a variety of movies from others. Other cases, like the *M. Witmark & Sons*<sup>255</sup> case would not occur these days because movie soundtracks are so integrated into movies that they are obviously a single product, although one for which the producer and distributor must clear many intellectual property rights.<sup>256</sup>

Regardless of what would be the most efficient outcome in each of the above cases, one can see that the complexity of determining the pro and anti-competitive effects of copyright owners' restrictive uses of their copyrights makes determining when and if an antitrust-based misuse defense should apply quite difficult. Moreover, the complexity of the determinations can be cited as a justification for doing such analysis solely within an antitrust context in which the complex balancing and analysis of pro and anticompetitive arguments has been worked out (and continues to be worked out) over more than a century. This debate has yet to be resolved, but the future of a misuse defense grounded in anticompetitive behavior seems to be on the decline.

## V. THE CASE FOR BASING COPYRIGHT MISUSE ON FIRST AMENDMENT SPEECH INTERESTS

How should copyright respond at this critical juncture in the regime's history? Just as copyright law is embracing misuse borrowed from patent law, such antitrust-based

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<sup>253</sup> *United States v. Loew's Inc.*, 371 U.S. 38 (1962).

<sup>254</sup> *United States v. Paramount Pictures, Inc.*, 334 US 131 (1948).

<sup>255</sup> *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943).

<sup>256</sup> See DONALD E. BIEDERMAN ET AL., *LAW AND BUSINESS OF THE ENTERTAINMENT INDUSTRIES* 744-46, 799-802, 840-48 (5th ed. 2007); Sara K. Stadler, *Performance Values*, 83 NOTRE DAME L. REV. 697, 731 (2008); DONALD S. PASSMAN, *ALL YOU NEED TO KNOW ABOUT THE MUSIC BUSINESS* 231-33, 416-17 (6th ed. 2006).

misuse seems to be on the decline. I propose that as we evaluate copyright misuse at this crossroads, we should not continue to base it in antitrust principles, and thus sentence it to likely decline. Instead, it should be firmly and primarily grounded in First Amendment speech interests. While the debates about tying and antitrust-based misuse can and should determine the future of the patent misuse defense, these debates should not determine the future of the copyright misuse defense because the First Amendment provides a separate, and more compelling, policy basis for copyright misuse than does antitrust. Restrictive uses of patents and patent tying raise economic concerns, but do not raise speech issues because everyone remains free to study, copy, comment on, and disseminate a patent—they just may not build the patented invention without permission. Thus, a patent may give its owner economic power<sup>257</sup> but it does not give its owner power to control the speech of others.

The copyright grant is quite another thing. While a patent prohibits only making, using, or selling a patented invention, but not dissemination of the patent document itself, the very purpose of copyright law is to give the owner of the copyright the power to limit copying and dissemination of the copyrighted document. Thus, anyone wanting to quote from the copyrighted work, whether to comment on the work itself or as part of another project, must either receive permission from the copyright holder or have a valid fair use defense to copyright infringement. The difficulties with exercising valid fair use rights, and the ability of copyright owners to deter valid fair use of their works by threatening lawsuits, even if meritless, have been discussed in detail in Part II, above. This imbalance in power between copyright owners and would-be fair users frustrates the balance set by Congress between copyright protection and the socially optimal amount of unlicensed use of copyrighted works.<sup>258</sup> While a number of proposals have been made to strengthen or clarify fair use, or to make fair use determinations less costly,<sup>259</sup> if we are interested in simply making more practically available the fair use rights that Congress set out as legally available under Section 107 of the Copyright Act, then allowing an argument of copyright misuse based in First Amendment interests as a defense to copyright infringement claims and threats could go a good distance to effectuating these rights.

As discussed above in Part II, copyright cases often raise First Amendment speech concerns. It is quite often the case that the best way to engage with, comment on, critique, or explain the speech of someone else is to quote portions of that speech directly. In other cases, using the ideas proposed by someone else may require some use of the original expression of the ideas. When such original expression is subject to copyright, the copyright holder's exclusive right to control other's copying of his original expression can run smack into the First Amendment speech interests of the person seeking to quote the copyrighted work. As explored in Parts I and II, this well-recognized conflict between copyright law and First Amendment speech interests,<sup>260</sup> led to the development of two doctrines within copyright law that protect and accommodate First Amendment speech interests with regard to copyrighted works: the idea/expression

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<sup>257</sup> Although a patent does not necessarily convey any market power. *See supra* notes 228 - 230 and accompanying text.

<sup>258</sup> 17 U.S.C. § 107 (2006).

<sup>259</sup> *See supra* Part III.

<sup>260</sup> *See supra* notes 89 - 103 and accompanying text.

dichotomy and the fair use doctrine. Both serve to explicitly balance the interests a copyright holder has his exclusive rights to his copyrighted expression against the interests of others in making use of the copyright holder's work in service of First Amendment speech values.<sup>261</sup>

Notwithstanding some fair criticisms,<sup>262</sup> the fair use analysis codified in the Copyright statute is overall a solid vehicle for allowing courts to consider all of the factors that weigh for and against fair use. But in the real world of copyright enforcement, copyright owners often have the power to prevent subsequent uses of copyrighted material that are obviously allowed under the fair use section of the statute. As I have described above,<sup>263</sup> copyright holders can deter many fair uses by threatening to sue for copyright infringement. Because there is enough gray area to determining fair use,<sup>264</sup> because the cost of defending a copyright infringement suit is high,<sup>265</sup> and because a copyright holder can control whether and when to sue, and when to dismiss the suit if it starts going against him,<sup>266</sup> the mere threat of litigation will deter many uses of copyrighted material that are fair as a matter of law.<sup>267</sup> This is a misuse of the copyright power granted by statute. But in many cases, it is not an anticompetitive misuse designed to increase profits for the copyright holder. Rather, the core of cases in which legal fair uses are being prevented are those in which the copyright holder desires to squelch particular speech about, or particular use of, his copyrighted material that he finds personally objectionable, as was the case with the Joyce Estate's attempts to prevent Carol Shloss's fair use.<sup>268</sup>

If we shift the policy basis for a copyright misuse defense from antitrust law to First Amendment speech interests, courts can focus on discouraging copyright misuse to chill speech. Such a shift is warranted for two reasons. First, as the above critiques of antitrust-based misuse point out,<sup>269</sup> antitrust law provides protection against the very anticompetitive behavior that courts have used misuse to address, perhaps with more accurate results.<sup>270</sup> Second, the misuse of copyright to chill speech is not protected, as a practical matter, by another body of law. Thus, shifting the basis for the copyright misuse defense from a focus on anticompetitive behavior to a focus on speech-chilling behavior will provide practical protection for fair use rights that are not currently provided by any other area of law. Not only is such a shift in the foundations of a copyright misuse defense desirable, it is a solution that can readily be implemented by the courts. Although the misuse defense was developed with an eye to prevent anticompetitive behavior, it is an equitable defense developed by the courts, and thus subject to revision by the

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<sup>261</sup> *Id.*

<sup>262</sup> *See supra* Part III.

<sup>263</sup> *See supra* Part II.

<sup>264</sup> *See supra* notes 94- 105 and accompanying text.

<sup>265</sup> *See supra* notes 110-113 and accompanying text.

<sup>266</sup> *See supra* note 115 and accompanying text.

<sup>267</sup> *See supra* notes 84-87 and accompanying text.

<sup>268</sup> *See supra* Part I.

<sup>269</sup> *See supra* Part IV.B.

<sup>270</sup> *See id.*

courts.<sup>271</sup> This Article shows that the anticompetitive behavior with which courts have generally been concerned in misuse cases can be addressed (perhaps better) through antitrust law. But the speech-chilling misuse of copyrights cannot be addressed in other areas of the law, nor does fair use give practical protection against such speech-chilling misuse of copyrights. Thus, in determining whether a copyright holder has behaved with clean enough hands that its copyrights should be enforced by a court in equity, it is entirely right and proper for courts to focus on whether copyright holders have misused their copyrights by bad-faith efforts to deter fair uses of copyrighted materials.

A speech-focused copyright misuse defense will provide the practical protection for fair use that is now missing by making it potentially more costly for copyright owners to try to stop fair use. Once a First Amendment based copyright misuse defense is widely-recognized by the courts, copyright owners suing for copyright infringement will have to worry about whether a court might refuse to enforce their copyrights because they have engaged in copyright misuse either with respect to the defendant in suit, or anyone else. Recall that in *Lasercomb* the court refused to enforce plaintiff's copyright not only against the victims of plaintiff's misuse, but against anyone—even a defendant who had copied Lasercomb's software and marketed it as its own. Thus, because of this unique characteristic of the misuse defense—that misuse against anyone can result in an inability to enforce the copyright against everyone—a copyright misuse defense based in speech interests will cause copyright owners to think carefully before engaging in possible misuse of their copyrights. If the price of deterring fair use could include the inability to collect copyright royalties from anyone for a period of time, one would expect copyright owners to be much more reticent to engage in behavior that might constitute misuse.

A few commentators have discussed expanding the policy basis for copyright misuse from antitrust to a broader conception of misuse that includes prohibiting use of a copyright that violates public policy. Some commentators have even suggested that violation of First Amendment speech interests could be part of the basis for copyright misuse. But no one has made the case articulated in this Article—that the copyright misuse defense must be completely decoupled from antitrust theory and based firmly on a policy of protecting First Amendment speech interests.

Recent reform proposals for copyright misuse include Thomas Cotter's suggestion that copyright and patent misuse doctrine should be reformed so as to make the doctrine more predictable and to better serve patent and copyright policies.<sup>272</sup> Cotter's approach allows misuse to focus both on anticompetitive and other harms from the misuse of patents and copyrights. Cotter argues that the inquiry should be whether particular conduct broadens the scope of the patent or copyright grant.<sup>273</sup> Once problematic behavior is identified, Cotter urges courts to develop a more predictable set

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<sup>271</sup> Cf. Joe Potenza et al., *Patent Misuse—The Critical Balance, a Patent Lawyer's View*, 15 FED. CIRCUIT B.J. 69, 69, 100 (2005) (“The roots of patent misuse lay in the law of patents (that is, the doctrine of unclean hands), not the law of antitrust. . . . [I]n this equitable doctrine, the law cannot stand still or else it will not continue to protect the underlying rationale of the patent system or the ever-changing concept the patent system itself protects—innovation.”).

<sup>272</sup> Thomas F. Cotter, *Misuse*, 44 HOUS. L. REV. 901 (2007).

<sup>273</sup> *Id.* at 963.

of criteria for determining misuse, preferably by focusing on a handful of recurring situations such as overbroad contractual restrictions on reverse engineering or that prohibit the licensee from engaging in fair use.<sup>274</sup> Cotter also urges the imposition of a standing requirement that would allow the misuse defense to be raised only by those against whom misuse occurred.<sup>275</sup> Finally, the remedy for misuse would simply be that a challenged contractual provision would be unenforceable.<sup>276</sup>

Although Cotter's suggestions have merit when it comes to adding predictability to misuse determinations, his approach would actually lead to even less protection against copyright holders who threaten litigation to deter fair use. Cotter's approach would allow contractual provisions forbidding fair use to be voided, but this would provide little deterrence as against copyright holders who would seek to threaten or pursue litigation to deter fair use. Moreover, Cotter's restriction of standing to include only those against whom misuse has occurred would allow copyright holders to be strategic in their misuse of their copyrights because only those who have signed contractual provisions that constitute misuse could sue. Thus, under Cotter's proposal copyright holders could threaten litigation against would-be fair users without worry of having to defend a misuse claim so long as they do not enter into contracts with the would-be fair users. Thus, one of the two features that makes misuse uniquely effective as a deterrent<sup>277</sup>—the ability to defend based on a copyright holder's misuse of his patent against anyone—would disappear under Cotter's system.

Other commentators have suggested that the policy rationale underlying copyright misuse could be broadened to include considerations of the "public policy" underlying copyright law, which may include considering speech and fair use interests.<sup>278</sup> But none

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<sup>274</sup> *Id.* at 963-64.

<sup>275</sup> *Id.* at 960-62.

<sup>276</sup> *Id.* at 934.

<sup>277</sup> The other feature that makes misuse uniquely effective as a deterrent is that the result of a misuse finding is that the copyright holder cannot assert his copyright against anyone until the misuse is cured. *See supra* note 155 - 156 and accompanying text.

<sup>278</sup> *See, e.g.,* Note, *Clarifying the Copyright Misuse Defense: the Role of Antitrust Standards and First Amendment Values*, 104 HARV. L. REV. 1289, 1307-08 (1991) (urging application of full antitrust analysis in determining competition questions via misuse, but also stating, without further exploration, that the public policy underlying copyright law—including the First Amendment interests in dissemination of ideas—is a suitable basis for finding copyright misuse); John Baker McClanahan, Note, *Copyright Misuse as a Defense in an Infringement Action: Lasercomb America Inc. v. Reynolds*, 49 WASH. & LEE L. REV. 213, 234-35 (1992) (examining the Lasercomb case and asserting, without further exploration, that "[t]he scope of this [copyright misuse] defense, however, should not be limited either by an antitrust standard or by the statutory development of patent misuse. Instead, the scope of the copyright misuse defense should extend to the point where the copyright owner has extended the copyright beyond the grant and, therefore, has subverted public policy.") (internal citations omitted); . Aaron Xavier Fellmeth, *Copyright Misuse and the Limits of the Intellectual Property Monopoly*, 6 J. INTELL. PROP. L. 1, 1 (1998) (urging generally that "courts should steer the (copyright) misuse defense away from straight antitrust analysis. . . . A public policy/equity defense, combined with the possibility of a separate antitrust suit in cases of flagrantly anticompetitive behavior, should suffice to protect licensees and competitors while

of these proposals recognize the need to make First Amendment principles the first and primary basis for the copyright misuse defense. I believe that failing to base the copyright misuse defense in First Amendment principles will lead to confused decisionmaking that does not adequately prevent the chilling of speech that copyright misuse is uniquely situated to deter. Having both antitrust and “public policy” as the bases for copyright misuse invites confusion and diverts courts’ attentions away from providing practical protections for fair use rights. Nor is the solution to advise courts to decide copyright misuse defenses by focusing only on the “public policy” underlying copyright law. This approach again diverts focus from the protection of First Amendment speech interests that copyright misuse is uniquely situated to accomplish, and it also risks confused and inconsistent decisions given the number of competing policies at work in copyright law,<sup>279</sup> including the policy of granting authors rewards of exclusive rights for their works so as to assure that they have adequate incentives to create works.<sup>280</sup> If a court

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deterring clear antitrust violations by copyright owners.”); Brett Frischmann & Dan Moylan, *The Evolving Common Law Doctrine of Copyright Misuse: A Unified Theory and Its Application to Software*, 15 BERKELEY TECH. L. J. 865 (2000) (proposing “narrow public policy-based per se rules [to] supplement a core antitrust-based [misuse] defense”); William F. Patry & Richard A. Posner, *Fair Use and Statutory Reform in the Wake of Eldred*, 92 CAL. L. REV. 1639, 1645 (2004) (“The doctrine of copyright misuse is thus applicable where litigation is threatened in an effort to extract a licensing fee or other profit when there is no reasonable basis for supposing that the threatener’s copyright has been infringed.”). *But see* Sean Michael Aylward, Comment, *The Fourth Circuit’s Extension of the Misuse Doctrine to the Area of Copyright: A Misuse of the Misuse Doctrine?*, 17 U. DAYTON L. REV. 661, 692 (1992) (opining that copyright misuse’s policy basis is broader than antitrust, but should not be.)

<sup>279</sup> While courts focus on the incentive purpose of copyright, they focus on it in different ways and balance it in different ways with the public’s interest in dissemination and the public domain. *See, e.g.*, *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (“The core purpose of copyright law is ‘to secure a fair return for an author’s creative labor’ and thereby ‘to stimulate artistic creativity for the general public good.’”); *Mazer v. Stein*, 347 U.S. 201, 219 (1954) (“The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in ‘Science and useful Arts.’ Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered.”); Paul Goldstein, 1 GOLDSTEIN ON COPYRIGHT, § 1.14.2, at 1:57 (3d ed. 2006 & Supp. 2008) (discussing copyright’s “general object of encouraging the production and dissemination of the widest possible variety of literary and artistic works desired by consumers”); 1 Melville B. Nimmer & David Nimmer, NIMMER ON COPYRIGHT § 1.03 (noting the “authorization to grant to individual authors the limited monopoly of copyright is predicated upon the dual premises that the public benefits from the creative activities of authors, and that the copyright monopoly is a necessary condition to the full realization of such creative activities. Implicit in this rationale is the assumption that in the absence of such public benefit, the grant of a copyright monopoly to individuals would be unjustified. This appears to be consonant with the pervading public policy against according private economic monopolies in the absence of overriding countervailing considerations.”)

<sup>280</sup> *Harper & Row, Publishers v. Nation Enters.*, 471 U.S. 539, 545-46 (1985) (finding the limited grant of the copyright is a means of incentivizing the creation of works for the public to access); *Sony Corp of Amer. V. Universal City Studios, Inc.*, 464 U.S. 417, 429

focuses on this “public policy” of copyright law, it may end up ruling that copyright misuse should not apply even in cases where a copyright owner seeks to use its copyright to squelch important speech that has no effect on the copyrighted work’s market value. In my view, this would be a plainly inferior application of the copyright misuse defense.

What would a copyright misuse defense based firmly in First Amendment policy look like? First, defendants to a copyright suit could enter evidence of any attempts by the copyright holder to chill obvious fair use through use of litigation or threats of litigation. But focusing copyright misuse on First Amendment values will sweep up more than just bad faith attempts to deter fair use. If we take seriously the copyright holder’s obligation not to use his copyright to chill First Amendment protected speech of others, then certain restrictions in copyright licenses will also fall afoul of the misuse defense. In some ways this First Amendment application of copyright misuse would be similar to the analysis that courts have traditionally performed in deciding misuse defenses, except that instead of looking for an economic tie, courts would look to whether a copyright holder has tied his grant of copyright permission to restrictions on the speech interest of the licensee of the work. An example might be a copyright license agreement that allows a writer to quote from the copyright owner’s copyrighted work, but only so long as the copyright owner has editorial control over the content of the writer’s work. Such a tie of editorial control to a copyright license would be a misuse of copyright for attempting to leverage the copyright not for financial gain, but to chill First Amendment speech of others. Similarly, any licensing requirements that forbid inquiry into certain areas, or that would otherwise seek to control the content of the licensee’s work, would presumptively be copyright misuse. Thus, biographers could not have their right to quote copyrighted works controlled by an author’s estate conditioned on the estate exerting some sort of control over what the biographer writes. Nor could the estate threaten to sue the biographer for the biographer’s unlicensed fair use of copyrighted material without having to worry that by misusing its copyrights it was taking a risk that it would make them unenforceable against anyone.

As the courts adopt and adapt copyright misuse based on First Amendment speech interests, they may find that additional presumptions of misuse are appropriate. For instance, courts could say that there is presumptive First Amendment value to the use of copyrighted works for purposes of scholarship, commenting on matters of public concern or on public figures, or reporting. Thus, copyright misuse can be presumed if a copyright holder is found to have taken actions to negatively affect such uses. The copyright holder might rebut such a presumption by showing that it took the actions it did for other legitimate purposes, and not for the purpose of discouraging scholarship, comment, or critique.

Another way to prevent some of the copyright misuse that is most offensive to First Amendment values is to explicitly set out certain actions by copyright holders as

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(1984) (stating that copyright act “is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.”); *U.S. v. Paramount Pictures*, 334 U.S. 131, 158 (1948) (noting that “the reward to the author or artist serves to induce release to the public of the products of his creative genius”).



forbidden copyright misuse. Three types of per se misuse might be (1) attempts by a copyright holder to gain editorial or narrative control over a work; (2) attempts by a copyright holder to cut off areas of inquiry for those using the holder's copyrights; or (3) attempts by a copyright holder to put certain subject matter out of the bounds of inquiry of a user of the copyright holder's work. The copyright holder might attempt to gain such control over areas of inquiry by exchanging copyright permissions for agreements not to write about subjects that the copyright holder does not want discussed. Or, the copyright holder might simply use the threat of copyright litigation to browbeat a putative fair user into avoiding areas and topics that the copyright holder would like to keep out of bounds. Either case should qualify as misuse.

It is true that a clever copyright holder could still seek to control what is investigated by those quoting from its copyrighted works by making any quid pro quos implicit, rather than explicit. But even considering some cheating to avoid the per se rules, the normative power of the law telling copyright holders and fair users what is in and out of bounds is powerful in its own way.<sup>281</sup>

Moreover, the finding of misuse will provide deterrence to the copyright holder against engaging in potential misuse. In infringement cases in which a court determines that a copyright owner has engaged in misuse, no further examination of the exhaustive factors in the fair use determination need be made. Thus, once the copyright holder has been found to have misused its copyrights, a fair user need no longer worry that some of her use of the copyright holder's work may be found to fall on the infringing side of fair use.

Of course, misuse cannot be found simply because a court determines that a copyright holder was wrong about its good-faith belief that certain uses of its copyrighted works was infringing. Copyright misuse plainly requires more than simply getting the famously difficult determination of fair use wrong. Rather, before ruling that a copyright holder has misused its copyright, a court should determine either that the copyright holder threatened or pursued litigation without a good-faith belief that the conduct was infringing, or that the copyright holder's stated position regarding the control its copyrights give over others' speech was objectively baseless, or that the copyright holder's threats of litigation rested on objectively baseless grounds, or that the defendant's use of plaintiff's copyrighted works was plainly not infringing.<sup>282</sup>

To the extent that courts adopt presumptions that certain actions by copyright holders constitute misuse, a defendant's entry of evidence showing that the copyright

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<sup>281</sup> Neil MacCormick, *Institutional Normative Order: A Conception of Law*, 82 CORNELL L. REV. 1051, 1063 (1997).

<sup>282</sup> William F. Patry & Richard A. Posner, *Fair Use and Statutory Reform in the Wake of Eldred*, 92 CAL. L. REV. 1639, 1645 (2004) ("The courts must be careful not to place copyright owners on a razor's edge, however, where a mistake in a copyright warning precludes enforcement of the copyright (at least until the warning is withdrawn), leading them out of an abundance of caution to underenforce their legitimate rights. But where the warning grossly and intentionally exaggerates the copyright holder's substantive or remedial rights, to the prejudice of publishers of public-domain works, the case for invoking the doctrine of copyright misuse seems to us compelling.").

owner engaged in conduct conforming to one of the presumptions would be misuse unless the copyright holder showed why the presumption should not apply in a particular case.

When a court determines that a copyright holder has lost the ability to enforce its copyright due to misuse, it will need to determine what conditions need to be met by the copyright holder, and how much time will have to pass before the copyright holder can enforce its copyright. The general rule for misuse is that a misuser cannot enforce its patent or copyright until it has cured its misuse. To cure a misuse a copyright holder may be required to release licensees from any terms or restrictions that constitute misuse, such as exchanging permission to quote copyrighted works for promises as to how the would-be fair user would characterize the information. In cases of prolonged misuse, however, like that engaged in by the Joyce Estate,<sup>283</sup> a court should determine that it takes some time to cure the speech chilling effects of prolonged copyright misuse aimed at cutting off inquiry that the copyright holder wanted to keep secret. Thus in cases where misuse continued for years, it seems perfectly sensible to bar recovery under the copyright owner's copyrights for a period of years long enough to allow the misuse to be cured. For example, if scholars have avoided making fair use of Joyce's work for over a decade due to the Joyce Estate's blustering misuse of its copyrights, then disallowing enforcement of the Estate's copyrights for a period of years may be appropriate. Obviously the more the Estate did to ameliorate the situation, the better its chances would be in returning to court and requesting that the court rule the misuse cured sooner than later.

How would the Shloss case have come out under a copyright misuse defense based in First Amendment, rather than antitrust, principles? Some of the time and expense of litigation could have been saved if she had been able to rely on presumptions of fair use. The presumption that taking editorial control of a work is misuse would have allowed Shloss to simply show the example of how the Joyce Estate granted permission to Brenda Maddox to quote from Joyce's work on condition that she not discuss Joyce's daughter, Lucia. Had Shloss showed the other examples of the Joyce Estate's misuse of its copyrights, a court might have ruled that the Joyce Estate could not enforce its copyrights for a set number of years—perhaps 5 or 10 years. Of course the remedies cannot become too severe or they will be unfair to the copyright holder.

It is true that First Amendment based misuse cannot deter all misuses of copyright to chill speech. Because copyright holders can dismiss a lawsuit that is going poorly by signing a covenant not to sue the would-be fair user of the copyright holder's material. Thus, a copyright holder will still be able to threaten suit, but avoid a finding of copyright misuse by covenanting not to sue the fair user. But if a copyright holder wants to pursue a claim through to the merits so as to get a copyright infringement judgment, it will have to take the risk of a finding of copyright misuse.

This will make copyright suits more like patent suits. In patent suits the patent owner must be cautious about filing suit, or even threatening suit, because the defendant can counterclaim that the patent is invalid. If a patent owner merely threatens to sue, the alleged infringer can file a declaratory judgment action seeking to have the patent judged

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<sup>283</sup> See *supra* Part I.

not infringed and invalid. The only way for the patent owner to avoid the risk of having its patent ruled invalid (assuming that prior art to do so can be found), is to file a covenant not to sue the alleged infringer. While such a covenant preserves the validity of the patent, too many covenants like that leave a patent with little value. The same would be true for copyright owners. If a copyright owner makes bad-faith threats to sue and then backs off when challenged by filing a covenant not to sue, it avoids a finding of misuse, but it has now privileged the alleged infringer's use, and it has engaged in activity that can be relied on to make a misuse argument in every future case seeking to enforce its copyrights. Thus we can expect that even though a copyright owner retains a great deal of control and can still make a number of threats without much immediate cost to itself, its behavior should be moderated by the knowledge that if challenged, its copyright will be at risk if it has engaged in behavior that might be found to be misuse.

### **Conclusion**

This Article has shown that the First Amendment interests in fair use and in creating new work free from the editorial control of copyright holders is inadequately protected by the current copyright regime. Under the current regime, copyright holders can chill important First Amendment speech by threatening copyright litigation in bad faith and with no consequence to themselves. Copyright holders can also control the speech of others by only licensing the rights to use their copyrighted materials on condition that the copyright holders have editorial control of the new work. A number of meritorious legislative solutions have been proposed to help remedy this situation, but none has been implemented, nor is any likely to be implemented given the political clout of corporate copyright holders. But a solution exists to this problem that courts can implement on their own. The equitable defense of copyright misuse is at a crossroads, as it has gained acceptance by courts even while the antitrust basis for the defense has been seriously undercut by critics. Courts can take this opportunity to shift the policy basis for the misuse defense to First Amendment principles so that the defense can be used to deter copyright holders engaged in misuse of their copyrights to chill or control the speech of others. Only copyright misuse has the features that make it strong enough to adequately deter abusive copyright holders bent on chilling speech. The unique deterrent features of copyright misuse are: (1) a copyright holder's misuse against anyone can be raised as a defense in every copyright infringement case, and (2) a finding of misuse makes a copyright holder's copyrights unenforceable until the misuse is cured. Thus, by shifting the policy basis of copyright misuse so that it is planted firmly in First Amendment principles, courts can make the legal rights to fair use and free speech actually available to the many people who are currently denied the full extent of these rights by the practical realities of the current copyright regime.