

## FIRST AMENDMENT BASED COPYRIGHT MISUSE

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### ABSTRACT

*We are at a crossroads with respect to the underdeveloped 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 others' 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*

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*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 instead in First Amendment speech principles, the legal protections for fair use can be shifted 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 underprotected.*

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## INTRODUCTION

We are at a crossroads with respect to the underdeveloped 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 without permission when campaigning for office. Similarly strong First Amendment interests exist 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.<sup>2</sup>

Courts created, and Congress later codified, the fair use defense to copyright infringement because of this recognized value of the speech interests involved in the unauthorized use of copyrighted

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1. *See, e.g.*, *Eldred v. Ashcroft*, 537 U.S. 186, 221 (2003).

2. *See, e.g.*, *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 592 (1984) (noting the unlikelihood of creators licensing critical reviews or lampoons).

works.<sup>3</sup> The statutory test for fair use sets out four factors in 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 to allow an unauthorized use of a copyrighted work.

The problem with the fair use test, however, is that although it looks great on paper, the informational uncertainties and transaction costs of litigating 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 attorney's fees that may total many multiples above any actual damages further deters people from making fair use of copyrighted material.<sup>8</sup> 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.

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3. 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) ("[W]hile the copyright doctrine of fair use was not codified by Congress until 1976, the doctrine existed previously in common law."); 17 U.S.C. § 107 (2006).

4. 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.

17 U.S.C. § 107.

5. *Id.*

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

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

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

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 the most part, fallen on deaf ears, however. This is not surprising given that content owners have more organizational and lobbying power than diverse persons who would like to make fair use of copyrighted works.<sup>11</sup> And although 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 dilemma, 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. My proposal 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.

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9. 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, 526-27 (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; R. Polk Wagner, *The Perfect Storm: Intellectual Property and Public Values*, 74 FORDHAM L. REV. 423, 429 (2005).

10. See *infra* notes 129-46 and accompanying text.

11. See Fonstad, *supra* note 7, at 623.

12. See, e.g., Joseph P. Liu, *Copyright and Time: A Proposal*, 101 MICH. L. REV. 409, 409-10 (2002).

13. Although many of the reforms that scholars have suggested to copyright law or fair use have merit, see *infra* notes 129-46 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 lessen the need for reforms to copyright law or fair use.

“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. This Article argues 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 be inevitably on the decline due to a strong attack on the misuse defense, both in patent and 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. In particular, First Amendment based copyright misuse would occur when a copyright holder uses 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>

The copyright misuse defense might not seem to pack much punch at first—after all, why would a copyright holder care if its threats or licensing behavior are occasionally called unfair? But two unique features of copyright misuse as it currently exists 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 grounds for a misuse finding in the current litigation. This means that a copyright

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14. Improper editorial control would not include a copyright owner controlling the content produced by someone whom the copyright holder has engaged to work at his 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 owner does not like or to prevent discussion of some areas of inquiry.

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.

Part I gives examples to show the severity of the problem and the ways in which the current regime deters constitutionally protected speech qualifying as fair use. Part II discusses the way that the legal right to fair use is often not practically available. Specifically, I consider the current dynamics of copyright law that allow copyright holders to chill statutorily protected fair use of copyrighted material, but that leave would-be fair users with few tools to deter overly aggressive copyright holders. Part III reviews proposed reforms to better enable the actual use of statutorily granted fair use rights. Part IV examines the evolution of copyright misuse from its basis in antitrust-based patent law to the present. Recently, a few courts have recognized that it is a defense that can serve interests other than antitrust, including public policy interests underlying copyright law. Part IV also discusses the critiques of an antitrust-based misuse defense and why these strong critiques make basing copyright misuse in antitrust unwise and uncertain. Part V sets forth the argument for basing the defense of copyright misuse prominently in First Amendment speech principles instead of in antitrust principles. Part V also explores the implications of shifting the basis for the copyright misuse defense to First Amendment principles and sets 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 the chilling of valuable speech that



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

Sometimes the King Estate seems to be simply threatening litigation so that it can be paid a licensing 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 four years of litigation against CBS. The 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

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15. Alfred C. Yen, Eldred, *The First Amendment, and Aggressive Copyright Claims*, 40 HOUS. L. REV. 673, 695 (2003).

16. See *id.* at 677-78. Estates may be more aggressive in all aspects of copyright enforcement in part because the pressure 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 that the use 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, has a fiduciary duty to the estate and may have financially motivated beneficiaries of the estate looking over his shoulder, 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 RAY D. MADOFF, IMMORTALITY AND THE LAW: THE RISING POWER OF THE AMERICAN DEAD 144-46 (2010); Olufunmilayo B. Arewa, *Copyright on Catfish Row: Musical Borrowing, Porgy and Bess, and Unfair Use*, 37 RUTGERS L.J. 277, 315-27 (2006); Justin Hughes, *Fair Use Across Time*, 50 UCLA L. REV. 775, 794 (2003).

17. Robbie Brown, *King Estate Considering Suit over Unlicensed Obama Items*, N.Y. TIMES, Nov. 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.").

18. *King Estate Settles Lawsuit Against CBS Over Rights To 'I Have A Dream' Speech*, JET, July 31, 2000, at 34, 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).

Luther King, Jr., Center for Nonviolent 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> and that the copyrights in photographs taken by news reporters and others not working for the subject of the photographs are held by the photographers.<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

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19. *Id.* at 34-35.

20. Brown, *supra* note 17, 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.'").

21. 37 C.F.R. § 202.1(a) (2009) (barring 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 contents").

22. See Jeffrey D. Powell, Note, *Printers' Claims to Lithographic Film Ownership: You Can't Always Get What You Want*, 12 HOFSTRA L. REV. 783, 791 (1984) (noting that under copyright law, a copyright belongs to the photographer unless the work was commissioned by the subject of the photograph).

23. See Arewa, *supra* note 16, at 315-27.

24. See Karen Christensen, *Dear Mrs. Eliot ...*, GUARDIAN, Jan. 29, 2005, 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" (citing Pierre N. Leval, *Toward 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."))).

25. Christensen, *supra* note 24, at 4.

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. The remainder of Part I provides a detailed summary of how the Joyce Estate misused copyright 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.

The Joyce Estate controls the copyrights in author James 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, the Estate has engaged in aggressive use of its copyrights to try to curtail speech about topics—literary or personal—it does not like.<sup>29</sup> The Estate has done so by refusing to grant anyone permission to quote from Joyce's work in a way Stephen Joyce dislikes, or to discuss topics about Joyce and the Joyce family that Stephen Joyce dislikes.<sup>30</sup> 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 threat of litigation, even in clear cases of fair use.<sup>31</sup>

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26. Mel Gussow, *A Reading Upsets Beckett's Estate*, N.Y. TIMES, Sept. 24, 1994, at A11.

27. For a discussion of the problem, see Ganz, *supra* note 24, at 761 ("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.").

28. See D.T. Max, *The Injustice Collector*, NEW YORKER, June 19, 2006, at 34, 36 ("Academics, [Stephen Joyce] 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).

29. *See id.*

30. *See id.*

31. *See id.* at 35-38.

Numerous examples exist of the Joyce Estate's desire to control the content of Joyce scholars' work via threatening and litigious behavior.<sup>32</sup> For example, Stephen 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>33</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 to sue if Maddox used the quotations without removing the material about Lucia Joyce.<sup>34</sup> Maddox responded by removing the section even though copies of the book had already been printed.<sup>35</sup>

Although 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 in the United States.<sup>36</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. Contrary to Joyce's rights in Britain, scholars in the United States have fair use rights to use quotes from the people and texts they are analyzing.<sup>37</sup> The use cannot be excessive, and authors cannot take more than is needed for their purpose, but they certainly have the right to use quotations from works liberally as required, assuming the fair use

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32. See Peter Carty, *Never on a Bloomsday*, INDEPENDENT (UK), Jan. 12, 2000; Max, *supra* note 28, at 35-38; see also Tim Cavanaugh, Op-Ed, *Portrait of the Old Man as a Copyright Miser*, L.A. TIMES, June 5, 2007, <http://www.latimes.com/news/opinion/la-oe-cavanaugh5jun05,0,2402066.story>.

33. Max, *supra* note 28, at 35.

34. Declaration of Carol Loeb Shloss in Support of Plaintiff's Opposition to Defendants' Motion To Dismiss at ¶ 65, *Shloss v. Sweeney*, 515 F. Supp. 2d 1068 (N.D. Cal. 2007) (No. C 06-3718 JW).

35. Max, *supra* note 28, at 35.

36. 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).

37. Jennifer Leman, Note, *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.'").

factors are met.<sup>38</sup> Maddox's quotations therefore would likely have been fair use in the United States. The Joyce Estate's interaction with Maddox illustrates another behavior that is currently allowed by law, but that Part V will suggest should be copyright misuse—granting permission to quote from one's copyrighted works with the condition that the person quoting the work write as the copyright holder dictates. This plainly discourages free speech and inquiry, and the Joyce Estate's behavior towards Maddox shows that copyright holders will feel free to use their copyrights to discourage such speech unless the holders are forbidden to do so.

In another example, the Joyce 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 then withholding such permission.<sup>39</sup> Stephen Joyce apparently refused permission because he did not like the music.<sup>40</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. Sweeney*.<sup>41</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, covering fair use, to put quotations from James Joyce's work on her website. Her use of the quotations was in support of the theses of her book about Joyce's daughter titled *Lucia Joyce: To Dance in the Wake*.<sup>42</sup> The Joyce Estate settled favorably to her nine months later. Although 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>43</sup>

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38. *Id.*

39. Medb Ruane, *The War of Words Over Joyce's Literary Legacy*, IRISH TIMES, June 6, 2000.

40. *Id.*

41. 515 F. Supp. 2d 1068 (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.

42. CAROL LOEB SHLOSS, *LUCIA JOYCE: TO DANCE IN THE WAKE* (2003).

43. No doubt the availability of pro bono counsel also helped Professor Shloss 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. *See infra* notes 78-87, 118.

Carol Shloss, a professor of English at Stanford University,<sup>44</sup> began researching a book on James Joyce's daughter, Lucia, in 1988.<sup>45</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>46</sup> In 1932, at the age of 25, Lucia was committed to a mental hospital by her brother, Giorgio.<sup>47</sup> She was confined to mental hospitals most of her life and died in one in 1982.<sup>48</sup> To research Lucia Joyce, Shloss traveled the world searching for documents about Lucia's life.<sup>49</sup> Many documents about Lucia Joyce have been destroyed over the years, apparently by her family, out of shame regarding her condition.<sup>50</sup> Shloss also sought evidence for her thesis that Lucia influenced and indirectly contributed to *Finnegans Wake*.<sup>51</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>52</sup> When scholars were outraged by his actions, he responded, "What are people going to do to stop me?"<sup>53</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>54</sup>

In addition to destroying documents, once it learned of Shloss's work, 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

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44. 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>.

45. Max, *supra* note 28, at 40.

46. See Hermione Lee, *No She Said No*, N.Y. TIMES, Dec. 28, 2003, at A8.

47. See Sean O'Hagan, *Private Dancer*, OBSERVER, May 16, 2004, at 16 (book review), available at <http://www.guardian.co.uk/books/2004/may/16/biography.features>.

48. See Kowinski, *supra* note 44, at M3.

49. See *Shloss v. Sweeney*, 515 F. Supp. 2d 1068, 1072 (N.D. Cal. 2007).

50. See Kowinski, *supra* note 44, at M3.

51. See Max, *supra* note 28, at 40.

52. *Id.* at 34-35.

53. Janna Malamud Smith, *Where Does a Writer's Family Draw the Line?*, N.Y. TIMES, Nov. 5, 1989, at BR1.

54. Max, *supra* note 28, at 35.

Library,<sup>55</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>56</sup> Shloss was allowed to see the documents, but told to keep as "low-profile as possible."<sup>57</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 materials.<sup>58</sup> Although 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, "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>59</sup>

Shloss pressed on notwithstanding Joyce's threatening letters, and, in 2001, she signed a contract with the publishing house Farrar, Straus, and Giroux to publish her book.<sup>60</sup> When Stephen Joyce learned of the contract, he wrote Shloss and again warned her against the use of any Joyce family materials.<sup>61</sup> In this letter he referred to the Estate's history of litigation against other authors, saying, "We have proven that we are willing to take any necessary action to back and enforce what we legitimately believe in."<sup>62</sup> Although copyright law does not protect privacy rights,<sup>63</sup> Joyce

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55. Declaration of Carol Loeb Shloss in Support of Plaintiff's Opposition to Defendants' Motion To Dismiss at ¶ 17, *Shloss v. Sweeney*, 515 F. Supp. 2d 1068 (N.D. Cal. 2007) (No. C 06-3718 JW).

56. Max, *supra* note 28, at 41.

57. Declaration of Carol Loeb Shloss in Support of Plaintiff's Opposition to Defendant's Motion To Dismiss at ¶ 17, *Shloss*, 515 F. Supp. 2d 1068 (No. C 06-3718 JW).

58. *Id.*

59. *Id.* at ¶ 17, Ex. C (emphasis added).

60. *Id.* at ¶ 25.

61. Max, *supra* note 28, at 41.

62. *Id.* at 35.

63. See MADOFF, *supra* note 16, at 121, 125 (noting that "copyright law ... provides

justified his aggressive position by saying that he needed to “safeguard whatever remains of the much abused and invaded Joyce family privacy.”<sup>64</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>65</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>66</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>67</sup> He further warned Farrar, Straus, and 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>68</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>69</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 quotation[s] from anything” that Lucia Joyce “ever wrote, drew or painted.”<sup>70</sup> He

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protections for a person’s creative expressions” while “privacy law ... protects against feelings of embarrassment”).

64. Declaration of Carol Loeb Shloss in Support of Plaintiff’s Opposition to Defendant’s Motion To Dismiss at ¶ 26, Ex. G, *Shloss*, 515 F. Supp. 2d 1068 (No. C 06-3718 JW).

65. *Id.* at ¶¶ 29-30, Ex. H; Declaration of Jonathan Galssi in Support of Plaintiff’s Opposition to Defendants’ Motion To Dismiss at ¶ 2, Ex. 2, *Shloss*, 515 F. Supp. 2d 1068 (No. C 06-3718 JW).

66. *Shloss*, 515 F. Supp. 2d at 1073.

67. Declaration of Leon Friedman in Support of Plaintiff’s Opposition to Defendants’ Motion To Dismiss at ¶ 2, Ex. 2, *Shloss*, 515 F. Supp. 2d 1068 (No. C 06-3718 JW).

68. *Id.*

69. *Id.* at ¶ 2, Ex. 3.

70. *Id.* at 92, Ex. 5.



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 and I, acting for both the Estate and Family, refuse to grant such permission.”<sup>71</sup> Joyce also included 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>72</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>73</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>74</sup> Nor did Shloss’s publisher want to face a lawsuit, especially given that profit margins on nonfiction books such as Shloss’s could be easily consumed in the cost of a lawsuit, whether won or lost.<sup>75</sup> Thus, in the end a significant amount of Lucia-related material was cut from Shloss’s manuscript.<sup>76</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>77</sup>

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71. *Id.*

72. *Id.*

73. See 17 U.S.C. § 107 (2006) (“The fact that a work is unpublished shall not itself bar a finding of fair use.”).

74. Declaration of Carol Loeb Shloss in Support of Plaintiff’s Opposition to Defendant’s Motion To Dismiss at ¶ 44, Ex. K, *Shloss*, 515 F. Supp. 2d 1068 (No. C 06-3718 JW).

75. Because 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 David W. Kirkpatrick, *Book Recommendations from Schoolreformers.com*, 2 VT. EDUC. REP. 46 (2002), [http://www.schoolreport.com/vbe/nlet/11\\_18\\_02.htm](http://www.schoolreport.com/vbe/nlet/11_18_02.htm); Motoko Rich, *Math of Publishing Meets the E-Book*, N.Y. TIMES, Mar. 1, 2010, at B1 (stating that as many as 70 percent of books published make little or no money for the publisher and that publishers make an average gross revenue of \$4.05 on a \$26 book, out of which they must pay overhead costs such as editors, cover art designers, office space, and utilities, leaving small net profits per book).

76. See Max, *supra* note 28, at 42.

77. See *id.*; see also Declaration of Carol Loeb Shloss in Support of Plaintiff’s Opposition to Defendant’s Motion To Dismiss at ¶¶ 47-48, *Shloss*, 515 F. Supp. 2d 1068 (No. C 06-3718 JW).

Shloss was dissatisfied with the form in which her work was published, and she eventually found pro bono counsel.<sup>78</sup> She then created a website on which was posted the excised material from her book.<sup>79</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>80</sup> Again the Estate refused to agree and threatened to sue under its copyrights.<sup>81</sup> The Estate said that Shloss's proposed use of the Lucia-related materials was an "unwarranted infringement of the Estate's copyright."<sup>82</sup> The Estate went on to "request in the strongest possible terms that [the Estate's] legal rights on this issue be respected."<sup>83</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. After the case survived a motion to dismiss,<sup>84</sup> the Joyce Estate settled with Shloss on terms that allowed her to use the materials at issue.<sup>85</sup> The Joyce Estate was also ordered to pay Shloss's attorney's fees because she was the prevailing party in the lawsuit.<sup>86</sup> Shloss's fees ran into the hundreds of thousands of dollars.<sup>87</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

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78. 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, Daniel & Anderson, LLP and then with Howard Rice. Mark Lemley and his former firm, Kecker & Van Nest, LLP also joined the team shortly after the complaint was filed.

79. Carol Loeb Shloss, LUCIA JOYCE: SUPPLEMENTAL MATERIAL, <http://www.lucia-the-authors-cut.info/> (last visited Oct. 13, 2010).

80. See Max, *supra* note 28, at 42.

81. See *id.*

82. *Id.*

83. Declaration of Grace Smith at Ex. 5, *Shloss v. Sweeney*, 515 F. Supp. 2d 1068 (N.D. Cal. 2007) (No. C 06-3718 JW) (emphasis added).

84. *Shloss*, 515 F. Supp. 2d at 1082.

85. Bob Egelko, *Professor Wins Fees from Joyce Estate*, S.F. CHRON., Sept. 29, 2009, at C1, 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).

86. *Id.*; Cavanaugh, *supra* note 32.

87. See Egelko, *supra* note 85 (noting that Shloss was awarded \$329,000 in legal fees and costs).

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>88</sup> These claims are often made against authors producing highly transformative or critical works and essentially assert that copying any language constitutes infringement.<sup>89</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>90</sup>

Authors faced with aggressive copyright claims are left few options to defend themselves.<sup>91</sup> The two main defenses available are

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88. 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.")

89. See, e.g., 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."); Yen, *supra* note 15, at 677 ("[A]ggressive 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 and 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.")

90. See, e.g., JuNelle Harris, *Beyond Fair Use: Expanding Copyright Misuse To Protect Digital 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 89, 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."); Yen, *supra* note 15, at 682 ("Enforcing copyright against those who add 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.")

91. See Victoria Smith Ekstrand, *Protecting the Public Policy Rationale of Copyright: Reconsidering Copyright Misuse*, 11 COMM. L. & POL'Y 565, 567-68 (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

fair use and the idea/expression dichotomy.<sup>92</sup> The fair use defense is defined by statute and allows for the unapproved use of copyrighted material in limited situations.<sup>93</sup> The idea/expression dichotomy protects the concept that a copyright does not grant an author exclusive rights to an idea but instead merely to the particular expression that he or she created.<sup>94</sup> These two doctrines together are sometimes thought to provide all necessary protections against copyright holders infringing on the First Amendment rights of authors.<sup>95</sup>

In reality, however, these defenses are not sufficient to protect authors from aggressive copyright claims.<sup>96</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>97</sup> Furthermore, these defenses have vague boundaries and rely on multipart judicial tests that make determining the likelihood of success difficult.<sup>98</sup> Unfortunately, this means that oftentimes authors are

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rights and offers no restitution for a wrongly accused infringer.”) (footnote omitted).

92. Harris, *supra* note 90, 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.”).

93. 17 U.S.C. § 107 (2006).

94. Harris, *supra* note 90, 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.”).

95. See 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.”). See generally David S. Olson, *First Amendment Interests and Copyright Accommodations*, 50 B.C. L. REV. 1393 (2009) (arguing that the two doctrines are insufficient for the protection of First Amendment rights in light of the expansion of the scope of copyright).

96. See Harris, *supra* note 90, 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.”).

97. *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 a fair use analysis is brought to bear on any First Amendment interests.”) (footnote omitted).

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

effectively silenced by the threat of litigation, regardless of the validity of the accuser's claims.<sup>99</sup>

The Supreme Court recently affirmed that copyright law is subject to First Amendment limitations.<sup>100</sup> Indeed, the very purpose of the Copyright Act is to foster First Amendment values.<sup>101</sup> As the *Shloss v. Sweeney* 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 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>102</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>103</sup> Again, critical analysis of a work cannot be

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99. See, e.g., Ekstrand, *supra* note 91, 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.”); Harris, *supra* note 90, at 98.

100. *Eldred v. Ashcroft*, 537 U.S. 186, 221 (2003) (rejecting the argument that “copyrights [are] ‘categorically immune from challenges under the First Amendment’” (quoting *Eldred v. Reno*, 239 F.3d 372, 375 (D.C. Cir. 2001))).

101. *Golan v. Gonzales*, 501 F.3d 1179, 1184 (10th Cir. 2007); see also *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 546, 558 (1984) (observing that “the Framers intended copyright itself to be the engine of free expression,” and thus “[t]he monopoly created by copyright thus rewards the individual author in order to benefit the public” (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984))) (internal quotation marks omitted); *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (“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.”); *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.”).

102. See *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 592 (1994) (suggesting that authors are unlikely to license critical reviews).

103. See LESSIG, *supra* note 6, at 95-98. Lessig describes 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 backstage 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

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>104</sup> especially given the current length of the copyright term.<sup>105</sup>

It is for these reasons that courts first recognized an equitable right to fair use,<sup>106</sup> which was later codified by Congress.<sup>107</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>108</sup> If a content creator wants to use a copyrighted work for one of the purposes allowed by 17 U.S.C. § 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 § 107 is famously

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what was special about the scene.” *Id.*

104. 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 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, 119-20 (1973) (“[P]ictures, films, paintings, drawings, and engravings ... have First Amendment protection.”).

105. *See* Peter B. Hirtle, Cornell Copyright Information Center, Copyright Term and the Public Domain in the United States (Oct. 4, 2010), <http://www.copyright.cornell.edu/resources/docs/copyrightterm.pdf>.

106. *See, e.g.,* *Campbell*, 510 U.S. at 588; *Harper & Row*, 471 U.S. at 550; *Sony*, 464 U.S. at 433; *Folsom v. Marsh*, 9 F. Cas. 342, 345 (Story, Circuit Justice, C.C.D. Mass. 1841).

107. 17 U.S.C. § 107 (2006).

108. *Id.*

murky,<sup>109</sup> and subsequent case law has not helped greatly to clarify the question.<sup>110</sup>

This puts would-be fair users in an untenable situation. The only way for them to be sure that their use of copyrighted material is fair is to get a court judgment. 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>111</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 every quotation from the copyrighted work is not deemed to be fair, then the user may be liable for copyright damages, and perhaps attorney's fees.<sup>112</sup> Although 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. It can be made even more so if the copyright holder contests that the jurisdictional requirement for a declaratory judgment

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109. See, e.g., LESSIG, *supra* note 6, at 187 (“[F]air use in America simply means the right to hire a lawyer.”); 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.”); Matthew D. Bunker, *Transforming the News: Copyright and Fair Use in News-Related Contexts*, 52 J. COPYRIGHT SOC’Y U.S. 309, 326-27 (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.”).

110. See, e.g., *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661, 662 (2d Cir. 1939) (“[T]he issue of fair use ... is the most troublesome in the whole law of copyright.”); *Marvin Worth Prods. v. Superior Films Corp.*, 319 F. Supp. 1269, 1273 (S.D.N.Y. 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 (S.D.N.Y. 1968) (“The doctrine is entirely equitable and is so flexible as virtually to defy definition.”).

111. See, e.g., *Video Pipeline, Inc. v. Buena Vista Home Entm’t, Inc.*, 342 F.3d 191, 195 (3d Cir. 2003); *Micro Star v. Formgen Inc.*, 154 F.3d 1107, 1109 (9th Cir. 1998); *Clean Flicks of Colo., L.L.C. v. Soderbergh*, 433 F. Supp. 2d 1236, 1243 (D. Colo. 2006); *Online Policy Group v. Diebold, Inc.*, 337 F. Supp. 2d 1195, 1198 (N.D. Cal. 2004).

112. 17 U.S.C. §§ 504-05 (2006).

action has been met, as did the Joyce Estate in *Shloss v. Sweeney*.<sup>113</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 attorney's fees on each side.<sup>114</sup> When one adds the potential assessment of statutory damages to the amount expended on legal fees, the deterrent effect on would-be fair users becomes even more substantial. Statutory damages range from \$750 to \$30,000 per work infringed and can be increased to \$150,000 per work infringed if a court finds that the defendant's infringement was willful.<sup>115</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 thousands of dollars of penalties per work infringed.<sup>116</sup>

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 actually litigating 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

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113. Plaintiff's Motion in Opposition to Defendant's Motion To Dismiss at 16-18, *Shloss v. Sweeney*, 515 F. Supp. 2d 1068 (N.D. Cal. 2007) (No. C 06-3718 JW).

114. 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.") (footnote omitted).

115. 17 U.S.C. § 504(c)(1)-(2).

116. See, e.g., *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); Special Verdict Form at 17-20, *Capitol Records Inc. v. Thomas-Rasset*, 680 F. Supp. 2d 1045 (D. Minn. 2010) (No. 06-CV-1497) (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*, 672 F. Supp. 2d 217 (D. Mass. 2009) (Nos. 03-CV-11661-NG, 07-CV-11446-NG) (finding defendant liable for \$22,500 per act of willful infringement for sharing music files using peer-to-peer technology).



the Joyce Estate used against Shloss and many other scholars, and numerous other copyright holders have used this tactic against would-be users of their copyrighted works.<sup>117</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>118</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>119</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>120</sup>

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117. See *supra* notes 16-27 and accompanying text.

118. 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 Opposition to Defendant's Motion To Dismiss at 17, *Shloss*, 515 F. Supp. 2d 1068 (No. C-06-3718 JW). Then the Estate moved to have Shloss's case dismissed for not meeting the requirements for a declaratory judgment as to the portion of the website not covered by the covenant. *Shloss*, 515 F. Supp. 2d at 1071. When the court denied the Estate's motion, after considerable effort and cost expended by both sides in briefing and arguing the motion, the Estate then promptly covenanted not to sue Shloss and the case was dismissed. Stipulation and Order Dismissing Actions, *Shloss*, 515 F. Supp. 2d 1068 (No. C-06-3718 JW).

119. 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 Opposition to Defendant's Motion To Dismiss at 1, *Shloss*, 515 F. Supp. 2d 1068 (No. C-06-3718 JW).

120. See 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 (2002) ("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 into a duty to maximize profits.") (footnotes omitted); Kent Greenfield, *Ultra Vires Lives! A Stakeholder Analysis of Corporate Illegality (With Notes on How Corporate Law Could*

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. 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. In some cases, however, 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 may 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 must agree not to research, investigate, or write about certain things or pursue certain areas of inquiry. The Joyce Estate engaged in exactly this sort of behavior in its copyright license to Brenda Maddox, pursuant to which she was forced literally to rip out a section of her printed books.<sup>121</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

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*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.”).

121. See *supra* notes 33-38 and accompanying text.

the use of their works.<sup>122</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.

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>123</sup> Taken together, this leads to an imbalance between copyright protection and protection of the public domain.<sup>124</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>125</sup> This Article argues that a defense of copyright misuse is the way to make these protections practically available, but before discussing copyright misuse, Part III briefly surveys other proposals that have been made to better enable the protections granted by fair use.

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122. 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.”).

123. See Harris, *supra* note 90, at 108.

124. See Mazzone, *supra* note 89, at 1029 (“Copyright law suffers from a basic defect: The law’s strong protections for copyrights are not balanced by explicit protections for the public domain.”).

125. See Posting of Richard Posner to Lessig.org/blog, [http://www.lessig.org/blog/2004/08/fair\\_use\\_and\\_misuse.html](http://www.lessig.org/blog/2004/08/fair_use_and_misuse.html) (Aug. 24, 2004, 18:57 EST) (“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.”).

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

Many commentators have noted 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. My proposal 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 uses.

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>126</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 discussed in Part III, with average copyright suits costing hundreds of thousands of dollars<sup>127</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>128</sup> This uncertainty and costliness has led a number of commentators to suggest ways to make the fair use determination more cost effective.

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

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126. My division of reform proposals into three categories is quite similar to the division made by Michael Carroll. *See* Carroll, *supra* note 9, at 1123 (“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.”).

127. *See* Lemley, *supra* note 114, at 311.

128. *See supra* notes 97-99 and accompanying text.

infringement and fair use. David Nimmer was one of the first to make this suggestion;<sup>129</sup> he proposed creating administrative tribunals to make fair use determinations in a cost-effective manner.<sup>130</sup>

Michael Carroll has proposed a variant of this administrative solution.<sup>131</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>132</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>133</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>134</sup> The fair use determination would be only as to the specific use by the specific petitioner.<sup>135</sup> If the Board determined the use to be fair, then the petitioner would be immune from copyright liability.<sup>136</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 federal courts of appeals.<sup>137</sup>

David Fagundes has proposed another variant of an administrative determination of fair use.<sup>138</sup> Fagundes also proposes creating a board within the Copyright Office to make fair use determinations.<sup>139</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 in-

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129. See David Nimmer, *A Modest Proposal To Streamline Fair Use Determinations*, 24 CARDOZO ARTS & ENT. L.J. 11, 12 (2006).

130. *Id.*

131. See Carroll, *supra* note 9, at 1123.

132. *Id.* at 1090-91.

133. *Id.* at 1128-29, 1138.

134. *Id.* at 1087.

135. See *id.* at 1125-27.

136. *Id.* at 1126.

137. *Id.* at 1126-28.

138. See David Fagundes, *Crystals in the Public Domain*, 50 B.C. L. REV. 139, 183 (2009).

139. *Id.*

fringing, probably not infringing, or no opinion.”<sup>140</sup> Moreover, the board’s findings would give “strong presumption[s]” in the direction of the board’s finding but would not preclude litigation of the issue.<sup>141</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>142</sup>

Finally, two scholars have suggested that regulators might promulgate rules on fair use, as well as decide fair use cases. Jason Mazzone has suggested two ways in which an administrative agency could administer fair use.<sup>143</sup> First, he suggests that an agency be assigned responsibility for “generating regulations that determine what constitutes fair use in specific contexts” and what conduct by copyright owners that deters fair use is out of bounds.<sup>144</sup> Mazzone further suggests that, in addition to issuing fair use regulations, an agency can adjudicate whether specific uses are fair,<sup>145</sup> much like the proposals of Carroll and Fagundes. 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>146</sup>

A second area of proposed reform is in the area of decreasing the penalties for attempting 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, with possible enhancement up to \$150,000.<sup>147</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>148</sup>

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140. *Id.* at 184.

141. *Id.*

142. *Id.*

143. Mazzone, *supra* note 89, at 396.

144. *Id.*

145. *Id.* at 436-37.

146. See Depoorter, *supra* note 9, at 1867.

147. 17 U.S.C. § 504(c)(1)-(2) (2006).

148. See, e.g., Thomas F. Cotter, *Fair Use and Copyright Overenforcement*, 93 IOWA L. REV. 1271, 1300 (2008); Mark A. Lemley, *Should a Licensing Market Require Licensing?*, 70 LAW

A third set of proposals takes 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>149</sup> Others have suggested reforms to fair use aimed at better serving the underlying policies of copyright law.<sup>150</sup>

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& CONTEMP. PROBS. 185, 200 (2007); Samuelson & Wheatland, *supra* note 8, at 501.

149. See, e.g., Michael J. Madison, *A Pattern-Oriented Approach to Fair Use*, 45 WM. & MARY L. REV. 1525, 1687 (2004) (suggesting the use of pattern analysis to both unify the application of fair use and make it more predictable while preserving a robust fair use zone); Gideon Parchomovsky & Kevin A. Goldman, *Fair Use Harbors*, 93 VA. L. REV. 1483, 1909-10 (2007) (proposing that Congress enact a number of nonexclusive fair use safe harbors); William F. Patry & Richard A. Posner, *Fair Use and Statutory Reform in the Wake of Eldred*, 92 CAL. L. REV. 1639, 1643-52 (2004) (proposing the creation of judge-made safe harbors for fair use); Pamela Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537, 2541-43 (2009) (arguing that analyzing fair use cases in light of cases previously decided in the same “policy-relevant cluster” makes fair use determinations more predictable); Maureen McCrann, Note, *A Modest Proposal: Granting Presumptive Fair Use Protection for Musical Parodies*, 14 ROGER WILLIAMS U. L. REV. 96, 124 (2009) (urging that “an affirmative presumption of fair use protection should be granted to musical re-writes”).

150. See, e.g., Christina Bohannon, *Copyright Harm, Foreseeability, and Fair Use*, 85 WASH. U. L.R. 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); William W. Fisher III, *Reconstructing the Fair Use Doctrine*, 101 HARV. L. REV. 1659, 1744-95 (1988) (proposing a “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); Robert Kasunic, *Is That All There Is? Reflections on the Nature of the Second Fair Use Factor*, 31 COLUM. J.L. & ARTS 529, 530 (2008) (proposing reinvigoration of second factor); Joseph P. Liu, *Two-Factor Fair Use?*, 31 COLUM. J.L. & ARTS 571, 572 (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”); Glynn S. Lunney, Jr., *Fair Use and Market Failure: Sony Revisited*, 82 B.U. L. REV. 975, 999, 1023 (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, 406 (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 that “[e]xclusive rights in copyright shall not extend to any use of a copyrighted work that society regularly values in itself”); Matthew Sag, *God in the Machine: A New Structural Analysis of Copyright’s Fair Use Doctrine*, 11 MICH. TELECOMM. & TECH. L. REV. 381, 396 (2005) (suggesting that in deciding fair use cases, judges forgo cost-benefit analyses and restrict their analyses to “principles derived from copyright law”).

## 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 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 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.<sup>151</sup> Numerous commentators have made telling critiques of the shorthand version of antitrust analysis that courts have engaged in when deciding misuse defenses.<sup>152</sup> These critiques are fairly persuasive. Part IV 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>153</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 appropri-

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151. *See infra* Part IV.A.

152. *See infra* Part IV.B.

153. *Ill. Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 42-43 (2006) (holding that a patent does not automatically confer market power and overturning prior cases holding the contrary).



ate for patent misuse, copyright misuse should not wither away, but instead should be refocused and grounded in First Amendment speech interests. Once refocused, this doctrine 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 alleged infringer.<sup>154</sup> In addition, a defendant can raise the equitable defense of misuse based on a copyright owner's misuse of its copyright against any person, not just the defendant.<sup>155</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>156</sup> and would encourage new authors to create new critical or transformative speech that they have the legal right to make under fair use and the First Amendment.

Part IV explains the evolution of copyright misuse and the critiques of antitrust-based misuse. Part V lays out the case for shifting the policy basis for the copyright misuse defense firmly to First Amendment principles.

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154. See, e.g., JESSICA LITMAN, DIGITAL COPYRIGHT 179-84 (2001) (advocating a return to a copyright framework that is comprehensible to ordinary consumers); Kathryn Judge, Note, *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."); 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.").

155. *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 979 (4th Cir. 1990) ("[T]he defense of copyright misuse is available even if the defendants themselves have not been injured by the misuse.").

156. See Judge, *supra* note 154, at 932-33 ("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. 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.").

*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>157</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 bars the plaintiff from recovering any damages or injunctive relief for so long as the misuse continues.<sup>158</sup> It is important to note that a plaintiff can cure his improper behavior and return to court to seek relief against an alleged infringer.<sup>159</sup>

The roots of copyright misuse lie in the analogous doctrine of patent misuse. In *Morton Salt Co. v. G. S. Suppiger Co.*, the Supreme Court first recognized the defense of patent misuse in a case involving tying arrangements.<sup>160</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*, the 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>161</sup> The Court found that this practice was an impermissible attempt to expand the reach of the patent.<sup>162</sup> The Court held that

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157. See, e.g., Brett M. 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, 867 (2000) ("Intellectual property misuse is a common law defense to infringement that derives from the equitable doctrine of 'unclean hands.'"); Note, *supra* note 154, at 1295 ("[C]ourts generally have viewed misuse doctrine as deriving from the equitable principle of unclean hands.").

158. 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 the denial of relief.").

159. See Jennifer R. Knight, Comment, *Copyright Misuse v. Freedom of Contract: And the Winner Is...*, 73 TENN. L. REV. 237, 261 (2006); see also *Lasercomb*, 911 F.2d at 979 n.22 ("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.").

160. 314 U.S. 488, 494 (1942).

161. *Id.* at 490.

162. *Id.* at 491. Note that by determining that Morton Salt's patent was unenforceable due

Morton Salt's misuse of its patent meant that the 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>163</sup> Thus, the sanction accompanying a finding of misuse can be severe. Once the Court determined that Morton's conduct with its patent, that is, the effort to tie the license to other purchases with respect to at least some licensees, was inappropriate, the Court denied Morton Salt any ability to pursue a patent claim against the defendant. This was the outcome even though the defendant had no contractual relationship with Morton and was allegedly manufacturing and selling a directly infringing machine.<sup>164</sup> Although the general rule for patent misuse is that a patent owner can assert its patents again once it has cured the misuse,<sup>165</sup> the Court in *Morton Salt* did not indicate openness to any assertion of the patent right in the future.<sup>166</sup> Thus, Morton Salt's bad behavior with its patent against some licensees ultimately prevented Morton Salt from enforcing its patent against anyone.

Since *Morton Salt*, the doctrine of patent misuse has been further developed by the courts.<sup>167</sup> Though the doctrine relies greatly on antitrust law, courts have taken a looser, more shorthand approach to analyzing potentially anticompetitive conduct in patent misuse cases than when they do in antitrust cases.<sup>168</sup> First, the burden of proof for defendants invoking misuse is different than for a plain-

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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 tactic, see James B. Kobak, Jr., *The Misuse Defense and Intellectual Property Litigation*, 1 B.U. J. SCI. & TECH. L. 2 ¶ 7 (1995).

163. *Morton Salt*, 314 U.S. at 490-91.

164. *Id.* at 494.

165. See *B. Braun Med. Inc. v. Abbott Labs.*, 124 F.3d 1419, 1427 (Fed. Cir. 1997) (stating that the sanction for patent misuse is that the patent is rendered unenforceable until the misuse has been cured).

166. *Morton Salt*, 314 U.S. at 494.

167. Frischmann & Moylan, *supra* note 157, at 868 ("Today, patent misuse is a well-established doctrine where courts generally apply antitrust principles to determine whether a patentee's use is misuse.").

168. See Cross & Yu, *supra* note 158, 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.").

tiff in an antitrust case. Patent misuse seems to require neither the showing of dominant market position in the tying good nor the showing of direct harm to the defendant that is required in tying cases under antitrust law.<sup>169</sup> Second, as an equitable defense, misuse bars a finding of infringement, but does not entitle the defendant to any kind of damages from the plaintiff.<sup>170</sup> But as *Morton Salt* showed,<sup>171</sup> even though no money damages can be asserted against a patent owner via 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>172</sup> The codification was done largely to specify some limits to the defense, as Congress made clear by calling the bill the Patent Misuse Reform Act.<sup>173</sup> Reflecting a growing understanding that not all tying agreements related to 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 patented product.<sup>174</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>175</sup> Here too the court based its copyright misuse inquiry in antitrust policy and looked at whether the copyright holders had used their copyrights in anticompetitive ways.<sup>176</sup> The conduct at issue was another tying arrangement, this time with respect to copyrighted music instead of patented goods.<sup>177</sup> Defendants were movie theater owners who were sued by the American Society of Composers, Authors, and Publishers (ASCAP) for showing movies

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169. See *Eastman Kodak v. Image Tech. Servs., Inc.*, 504 U.S. 451, 462 (1992); see also Ekstrand, *supra* note 91, 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.”) (footnote omitted).

170. Cross & Yu, *supra* note 158, at 458.

171. *Morton Salt*, 314 U.S. at 494.

172. 35 U.S.C. § 271(d) (2006).

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

174. 35 U.S.C. § 271(d)(5).

175. 80 F. Supp. 843 (D. Minn. 1948).

176. *Id.* at 847-49.

177. *Id.* at 848-49.

without licensing the public performance rights to the music contained in the movies.<sup>178</sup> 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. Individual movie theaters wishing to show the movies were left to purchase performance licenses for the music directly from ASCAP.<sup>179</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>180</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>181</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>182</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>183</sup> Defendants seemed to believe that if the movie 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 percent of theaters purchased blanket licenses from ASCAP.<sup>184</sup>

Eventually, some theater owners refused to purchase performance licenses for the music of some movies they showed, and

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178. *Id.* at 844.

179. *Id.* at 844-45.

180. *Id.* at 845-56.

181. *Id.* at 845.

182. *Id.*

183. *Id.* (“The performance rights of any musical composition controlled by A[SCAP] may be licensed singly, but it appears that A[SCAP's] copyrighted music is always licensed as a group under a blanket license from A[SCAP]. And while the copyright 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 A[SCAP] who may have copyrighted music in the particular film purchased by the theatre owner.”).

184. *Id.* at 849.

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>185</sup> The court found that the tying arrangement violated antitrust law and constituted misuse.<sup>186</sup> 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>187</sup> Importantly, the court did not bother to determine whether antitrust law gave the defendants the right not to purchase ASCAP's blanket licenses. Instead, the court held that the finding of misuse sufficed as a reason to refuse to enforce the plaintiffs' copyrights against any theater owners.<sup>188</sup> This provides 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. The plaintiffs were unable to enforce their copyrights against the theater owners, who were thus left to engage freely 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*, the Fourth Circuit considered whether restrictive license provisions constituted misuse.<sup>189</sup> Lasercomb America licensed manufacturing die design software to users with a license provision requiring licensees not to create a competing product for ninety-nine years.<sup>190</sup> Holiday Steel, defendant Reynolds's employer, created just

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185. *Id.* at 845.

186. *Id.* at 848-49.

187. *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 monopolistic control beyond their proper scope, it should be denied.")

188. *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.")

189. 911 F.2d 970, 972-73 (4th Cir. 1990).

190. *Id.* at 973.

such a product and was sued for infringement.<sup>191</sup> Holiday Steel had received the agreement requiring it not to create a competing product, but it never signed and returned the document.<sup>192</sup> Holiday Steel then proceeded to break Lasercomb's copy protections and make extra, unlicensed copies of Lasercomb's software for its internal use.<sup>193</sup> Holiday Steel eventually made additional copies of Lasercomb's software, tried to disguise it as its own, and marketed the software as its own.<sup>194</sup> When it learned of Holiday Steel's activities, Lasercomb promptly sued for, inter alia, copyright infringement.<sup>195</sup>

The 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 ninety-nine years.<sup>196</sup> The district court dismissed this argument because the defendants had not signed the agreement.<sup>197</sup> But the Fourth Circuit reversed, holding that because 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>198</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>199</sup> The court held that showing an antitrust violation was not essential to establish misuse.<sup>200</sup> Instead, a plaintiff need only use its copyright in a manner that violates the public policies underlying copyright

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191. *Id.* at 971-72.

192. *Id.* at 973.

193. *Id.* at 971.

194. *Id.*

195. *Id.* at 972.

196. *Id.* at 972-73.

197. *Id.* at 973.

198. *Id.* at 979.

199. *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.").

200. *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.").

law to commit misuse.<sup>201</sup> Although the court couched its language in terms of public policy, the court based its finding of copyright misuse on Lasercomb's anticompetitive behavior; specifically, the court did not approve of Lasercomb's licensing of its copyright based on the agreement that its licensees would not compete with Lasercomb for ninety-nine years.<sup>202</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—the court did not consider market power, for instance—even though agreements not to compete and improper use of market power to prevent competition are core behaviors that antitrust law seeks to prevent.<sup>203</sup>

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.<sup>204</sup> 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 did 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

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201. *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.”).

202. *Id.* at 978-79.

203. See *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, [and] to afford protection from the subversive or coercive interferences of monopolistic endeavor”); *United States v. Am. Tobacco Co.*, 221 U.S. 106, 179 (1911) (“[R]estraint of trade’ at common law and in the law of this country at the time of the adoption of the Anti-trust Act only embraced acts or contracts or agreements or combinations which operated to the prejudice of the public interests by 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.”).

204. *Lasercomb*, 911 F.2d at 976 (quoting *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 492 (1942)).



similar cases and adopted the Fourth Circuit's interpretation of misuse.

The Ninth Circuit adopted *Lasercomb's* approach in *Practice Management Information Corp. v. American Medical Ass'n*, which involved another restrictive license provision as a basis for finding misuse.<sup>205</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>206</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>207</sup> The court also stated that a strict violation of antitrust law was not necessary to show misuse.<sup>208</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.*, the Fifth Circuit joined the Fourth and Ninth Circuits in recognizing copyright misuse, also relying on an implicit antitrust violation.<sup>209</sup> In *Alcatel*, the plaintiff sued DGI for infringement because DGI reverse engineered copyrighted software in order to produce compatible replacement hardware used in Alcatel telephone switches.<sup>210</sup> Alcatel did not possess patents on the telephone switches themselves but had copyrighted the operating system controlling the switch.<sup>211</sup> The court found that Alcatel misused its copyright by leveraging it to claim patent-like protection over the hardware.<sup>212</sup> The court held

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205. 121 F.3d 516 (9th Cir. 1997).

206. *Id.* at 517-18.

207. *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.").

208. *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.").

209. 166 F.3d 772, 793, 795 (5th Cir. 1999).

210. *Id.* at 784-85.

211. *Id.* at 777.

212. *Id.* at 793 ("DSC indirectly seeks to obtain patent-like protection of its hardware—its microprocessor card—through the enforcement of its software copyright.").

that Alcatel's anticompetitive practices with regard to trying to extend its copyrights to cover hardware constituted misuse.<sup>213</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>214</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 the defendants solely on anti-trust grounds. In *United States v. Loew's, Inc.* and *United States v. Paramount Pictures, Inc.*, the Court found block booking to be a violation of antitrust law using logic similar to patent misuse decisions.<sup>215</sup> Block booking is very similar to tying; copyright owners make licenses to popular works contingent on the purchase of licenses to less desirable content.<sup>216</sup> Theoretically, this allows copyright owners to leverage their economic power beyond their copyright monopoly.<sup>217</sup> The Court accordingly held that the practice was anticompetitive, violating the antitrust laws.<sup>218</sup> But the opinions also included language suggesting that the copyright owners were engaged in activities that misused their copyrights by

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213. *Id.* at 793-94 ("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.")

214. See Scott A. Miskimon, Note, *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.") (footnotes omitted).

215. See *United States v. Loew's, Inc.*, 371 U.S. 38, 39, 45-46 (1962); *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 156-57 (1948); see also Ekstrand, *supra* note 91, at 572.

216. See *Paramount Pictures*, 334 U.S. at 156.

217. But see *infra* notes 255-65 and accompanying text for critiques of whether tying actually allows monopolists to increase their economic power.

218. *Loew's, Inc.*, 371 U.S. at 39; *Paramount Pictures*, 334 U.S. at 156-59.

attempting to use them to capture additional exclusive rights outside of their copyright grants.<sup>219</sup>

*Broadcast Music, Inc. v. CBS, Inc. (BMI)* involved somewhat similar facts.<sup>220</sup> In that case, the Supreme Court considered a Second Circuit finding that Broadcast Music had committed a per se violation of antitrust law and had committed copyright misuse.<sup>221</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 two societies' practice of issuing blanket licenses to television stations like CBS for use of copyrighted music in television programming.<sup>222</sup> CBS alleged that ASCAP and BMI's practice of issuing blanket licenses amounted to price fixing by the individual copyright-holding members of the two societies.<sup>223</sup> The Supreme Court reversed, holding that the blanket licenses at issue were not naked restraints on trade with only anticompetitive purposes.<sup>224</sup> Rather, the Court held that the license had the procompetitive features of integrating sales and allowing monitoring and enforcement against unauthorized copying.<sup>225</sup> The blanket license also drastically diminished transaction costs by allowing purchasers to buy only one license rather than negotiating for each

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219. *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."); *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.").

220. 441 U.S. 1, 4-7 (1979).

221. *Id.* at 1.

222. *Id.* at 4.

223. *Id.* at 4, 6. CBS did not make the tying argument that was successful for plaintiffs in *M. Witmark & Sons v. Jensen* 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 had only the right to make nonexclusive licenses of their members' copyrighted works. *Id.* at 4-5. 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 the plaintiffs in *Witmark*. *M. Witmark & Sons v. Jensen*, 80 F. Supp. 843, 844-45 (D. Minn. 1948).

224. *Broadcast Music, Inc.*, 441 U.S. at 20.

225. *Id.*

song they wanted to use.<sup>226</sup> Accordingly, the Court reversed the holding of *per se* antitrust violation and remanded for analysis under the rule of reason.<sup>227</sup> The Court also reversed the copyright misuse ruling because the Court viewed it as dependent on the antitrust claim.<sup>228</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 the defendants had potential procompetitive features, the copyright misuse claim could not stand.<sup>229</sup> Thus, although 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.

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>230</sup> The court allowed a copyright misuse defense based on fraudulent claims the copyright owner made regarding which software it owned.<sup>231</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>232</sup> The court ruled that QAD's assertion of copyright over

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226. *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.") (footnote omitted).

227. *Id.* at 24.

228. *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.")

229. *Id.* at 20-24.

230. 770 F. Supp. 1261 (N.D. Ill. 1991).

231. *Id.* at 1270-71.

232. *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.") (footnote omitted).

ALN's software was a basis for finding copyright misuse.<sup>233</sup> But in addition to basing its copyright misuse decision on QAD's fraudulent behavior, the 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>234</sup>

QAD makes clear that misuse based on First Amendment principles occurs only when another's expression is *improperly* and *excessively* inhibited.<sup>235</sup> 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*, in which Video Pipeline accused Disney, Buena Vista's owner, of misuse because it included restrictions on criticism of Disney movies in its licensing agreements.<sup>236</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>237</sup> The court reasoned that 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>238</sup>

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233. *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.”).

234. *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.”).

235. *Id.*

236. 342 F.3d 191, 203 (3d 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.”).

237. *See id.* at 206 (“Thus, while we extend the patent misuse doctrine to copyright, and recognize that it might operate beyond its traditional anticompetition 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 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*.”) (footnote omitted).

238. *Video Pipeline, Inc.*, 342 F.3d at 206 (“[W]e nonetheless cannot conclude on this record

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 when none existed might be copyright misuse.<sup>239</sup> In that case, Assessment Technologies contracted with municipalities to collect and organize property value data.<sup>240</sup> When WIREdata tried to access this information, the municipalities refused, fearing they would be guilty of infringement.<sup>241</sup> The Seventh Circuit ruled that copyright did not protect the raw data and suggested Assessment Technologies may be guilty of copyright misuse because it claimed protection over something clearly not included in the copyright grant.<sup>242</sup> The court also suggested that improperly asserting rights over defendants who lack the resources to resist could be misuse.<sup>243</sup>

Although the defense of copyright misuse has been growing in acceptance by the courts,<sup>244</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>245</sup> This puts the

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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.”).

239. *Assessment Techs. of Wis., L.L.C. v. WIREdata, Inc.*, 350 F.3d 640, 645 (7th Cir. 2003).

240. *Id.* at 642.

241. *Id.*

242. *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.”).

243. *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.”).

244. See Hartzog, *supra* note 237, at 391 (“[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, Note, *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 have 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.”) (footnotes omitted).

245. *E.g.*, 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

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 courts accept these criticisms, the defense of antitrust-based misuse may go into inevitable decline in both patent and copyright cases. Part V discusses the critiques of antitrust-based misuse and argues that courts should choose a new road for copyright misuse, basing it in First Amendment principles.

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

Ironically, 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. Although the patent misuse defense has a long history, its modern standing has been undercut by two critiques. First, some argue that vindicating antitrust interests through patent misuse is ill-advised and repetitive of antitrust laws. Second, because most patent misuse cases involve tying, the shifting thinking in recent decades on the anticompetitiveness of tying has undercut some of the rationale for patent misuse. Because these critiques of patent misuse apply with equal force to copyright misuse based in antitrust, Part IV.B discusses the critiques of patent misuse in some detail.

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

The first critique of the existence of a patent misuse defense essentially questions the pursuit of a problem indirectly through patent law that could be handled by antitrust law. The critique argues that antitrust values can be vindicated directly by antitrust

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(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*.”); Ekstrand, *supra* note 91, at 583 (“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 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.”); Hartzog, *supra* note 237, at 382.

law, and that 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>246</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 via an antitrust counterclaim in an infringement suit.<sup>247</sup> So long 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>248</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, which customers or competitors find necessary.<sup>249</sup> The relevant inquiry is whether the actions that the monopoly holder is taking with respect to a particular property—whether it be intellectual property or something else, like a railroad termi-

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246. See Meg Dolan, *Misusing Misuse: Why Copyright Misuse Is Unnecessary*, 17 DEPAUL-LCA J. ART & ENT. L. & POL'Y 207, 236-37 (2007); Mark A. Lemley, Comment, *The Economic Irrationality of the Patent Misuse Doctrine*, 78 CAL. L. REV. 1599, 1612 (1990).

247. See Roger Arar, Note, *Redefining Copyright Misuse*, 81 COLUM. L. REV. 1291, 1311 (1981) (“[C]ourts applying a misuse defense can do no better than to look to substantive antitrust principles.”); 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, 692-93 (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).

248. See *USM Corp. v. SPS Techs., Inc.*, 694 F.2d 505, 512 (7th Cir. 1982) (rejecting holding patent misuse claims to lower standards than antitrust claims, and explaining that “[o]ur [patent] 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, 4 (1991) (defending doing shorthand analysis of allegedly anticompetitive behavior through patent misuse because the antitrust standard is difficult and expensive).

249. Burchfiel, *supra* note 248, at 2-3.



nal—are likely to be more anticompetitive than procompetitive.<sup>250</sup> Thus, the antitrust inquiry is similar whether a property owner ties a noncompete agreement 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 lacks 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 doctrine has decades of experience working through the examination of these questions. In contrast, courts in patent misuse cases have often made rough determinations of competitive effects without the formal requirements of antitrust law. This shorthand analysis increases the likelihood of erroneous decisions because it ignores some of the elements necessary to find an antitrust violation, and thus ignores the considered wisdom of the courts over more than a century since the enactment of federal antitrust laws.<sup>251</sup>

*2. Critique Two: 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.*, the Supreme Court officially recognized that patents and copyrights do not necessarily give their owners market power.<sup>252</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

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250. *Id.* at 79-80.

251. *But see* Ramsey Hanna, Note, *Misusing Antitrust: The Search for Functional Copyright Misuse Standards*, 46 STAN. L. REV. 401, 423-24 (1994) (arguing that a narrow application of misuse independent of antitrust can take into account harm to long-term innovation that antitrust cannot adequately protect); 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).

252. 547 U.S. 28, 35, 42 (2006).

simply switch to available substitute goods if the patent or copyright owner raises her prices.<sup>253</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.<sup>254</sup>

The misuse defense has also been undercut by judicial acknowledgement of the economic analysis about 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>255</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>256</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 of selling or delivering, or might increase value to consum-

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253. See *id.* at 44-45.

254. See RICHARD POSNER, *ANTITRUST LAW: AN ECONOMIC PERSPECTIVE* 197-98 (2001).

255. See ROBERT BORK, *THE ANTITRUST PARADOX* 372-73 (1978); POSNER, *supra* note 254, at 198; Ward S. Bowman, Jr., *Tying Arrangements and the Leverage Problem*, 67 *YALE L.J.* 19, 21-23 (1957); Thomas F. Cotter, *Misuse*, 44 *HOUS. L. REV.* 901, 939 n.169 (2007); Aaron Director & Edward H. Levi, *Law and the Future: Trade Regulation*, 51 *NW. U. L. REV.* 281, 290-94 (1956).

256. See, e.g., BORK, *supra* note 255, at 371-72; David S. Evans & A. Jorge Padilla, *Designing Antitrust Rules for Assessing Unilateral Practices: A Neo-Chicago Approach*, 72 *U. CHI. L. REV.* 73, 81-82 (2005) (arguing that when a monopolist engages in tying, the practice should be 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) (arguing that 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, even though 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. Although an economist would say that this is a welfare-enhancing move, an antitrust court may not.

ers, such as selling batteries in packages with electronics.<sup>257</sup> In addition, tying may allow a seller to provide financing effectively to a purchaser of expensive equipment.<sup>258</sup> A seller could accomplish this by selling the equipment below cost and then charging above-cost prices for products that need to be consumed to use the machine.<sup>259</sup> This would allow the customer to pay the full price of the equipment over time.<sup>260</sup> Finally, tying can allow price discrimination, which may either increase or decrease both consumer and total welfare.<sup>261</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>262</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 suppliers.<sup>263</sup>

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257. For an overview of how tying can be efficient and welfare enhancing, see EINER ELHAUGE, UNITED STATES ANTITRUST LAW AND ECONOMICS 357-58 (2008).

258. *Id.* at 358.

259. *Id.*

260. *Id.*

261. See Einer Elhauge, *Tying, Bundled Discounts, and the Death of the Single Monopoly Profit Theory*, 123 HARV. L. REV. 397, 427 (2009).

262. See BORK, *supra* note 255, at 275, 295; HERBERT HOVENKAMP, ECONOMICS AND FEDERAL ANTITRUST LAW 231 (1985); POSNER, *supra* note 254, at 206-07; Daniel Clough, *Law and Economics of Vertical Restraints in Australia*, 25 MELB. U. L. REV. 551, 555 (2001); Elhauge, *supra* note 261, at 405 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.”).

263. See Yochai Benkler, *An Unhurried View of Private Ordering in Information Transactions*, 53 VAND. L. REV. 2063, 2063-67 (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 nonexcludable works); Julie E. Cohen, *Copyright and the Perfect Curve*, 53 VAND. L. REV. 1799, 1811 (2000) (asserting 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, 1369 (1998) (arguing 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 L. Katz, *Non-Uniform Pricing, Output, and Welfare under Monopoly*, 50 REV. ECON. STUD. 37, 37 (1983) (noting that a move from uniform pricing to second-degree price discrimination creates unpredictable effects for social welfare); Michael J. Meurer, *Price Discrimination, Personal Use, and Piracy: Copyright Protection of Digital Works*, 45 BUFF. L. REV. 845, 849 (1997) (expressing doubts about whether price discrimination results in efficiency gains); Marius Schwartz, *Third-Degree Price Discrimination and Output: Generalizing a Welfare Result*, 80 AM. ECON. REV. 1259, 1259

In addition, some have argued that price discrimination may allow a patent holder to extract more return on its invention than Congress intended.<sup>264</sup>

In addition to arguments about the efficiency of imperfect price discrimination, 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 set prices 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>265</sup>

### *C. The Decline of Misuse Defenses Based on Antitrust Principles?*

The critiques and countercritiques of both antitrust-based misuse defenses and 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*, the defendant might have made a quality argument to justify its tying.<sup>266</sup> In the very similar case of

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(1990) (contending that, within a partial equilibrium analysis, a change from uniform pricing to third-degree price discrimination will in some cases increase, and in others cases reduce, welfare).

264. Louis Kaplow, *The Patent-Antitrust Intersection: A Reappraisal*, 97 HARV. L. REV. 1815, 1875 (1984) (“[P]rice 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.”).

265. 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). For a fulsome critique of the single monopoly profit theory, see Elhauge, *supra* note 261.

266. *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 492-93 (1942) (arguing instead “that this doctrine is limited in its application”).

*International Salt v. United States*, the defendant made just such an argument.<sup>267</sup> Recall that Morton Salt tied a requirement to buy salt tablets to sales of its patented salt-tablet insertion equipment that was used in industrial canning processes.<sup>268</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>269</sup> When accused of anticompetitive 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.<sup>270</sup> 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.<sup>271</sup> Because International Salt was obligated to repair and maintain the machines under the leases, it argued that it was reasonable to require equipment lessees to purchase its own high-quality salt.<sup>272</sup>

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>273</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>274</sup> But if International Salt did not match the price, the agreement allowed the customer to buy from the lower-priced salt provider.<sup>275</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-

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267. 332 U.S. 392, 396-97 (1947).

268. *Morton Salt*, 314 U.S. at 490-91; *supra* notes 160-66 and accompanying text.

269. *Int'l Salt*, 332 U.S. at 394-95. Interestingly, while Morton Salt was ruled to have misused its patents, the patent misuse defense does not seem to have been raised in *International Salt*. The Supreme Court certainly did not address it, at any rate. This shows how duplicative an antitrust-based misuse defense can be of conventional antitrust analysis.

270. *Id.* at 397.

271. *Id.*

272. Note that International Salt's contract requiring it to maintain its machine 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.

273. *Int'l Salt*, 332 U.S. at 396-97.

274. *Id.*

275. *Id.* at 396.

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>276</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 significant foreclosure in the salt market.<sup>277</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.<sup>278</sup> 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 price its salt above market rates unless there was collusion in the entire salt market.

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 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. One would think, however, that competitors could prove the quality of their salt fairly easily. And even if International Salt was able to tie its salt to its equipment and charge above-market 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.

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276. *Id.* at 397-98.

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

278. *Int'l Salt*, 332 U.S. at 397-98.

Likewise, the outcome of cases regarding block booking movies, like *United States v. Loew's, Inc.*<sup>279</sup> and *United States v. Paramount Pictures, Inc.*,<sup>280</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*. Loew's or Paramount Pictures 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 Loew's or Paramount may also have used block booking for efficiency or cost-saving reasons. Furthermore, 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 Loew's or Paramount Pictures as opposed to the costs of showing a variety of movies from others. Other cases, like the *M. Witmark & Sons*<sup>281</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>282</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 procompetitive and anticompetitive 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 procompetitive and anticompetitive arguments have been worked out, and continue to be worked out, for more than a century. This debate has

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279. 371 U.S. 38 (1962).

280. 334 U.S. 131 (1948).

281. *M. Witmark & Sons v. Jensen*, 80 F. Supp. 843 (D. Minn. 1948); see *supra* notes 175-88 and accompanying text.

282. See DONALD E. BIEDERMAN ET AL., *LAW AND BUSINESS OF THE ENTERTAINMENT INDUSTRIES* 744-46, 840-45 (5th ed. 2007); DONALD S. PASSMAN, *ALL YOU NEED TO KNOW ABOUT THE MUSIC BUSINESS* 231-33, 416-17 (6th ed. 2006); Sara K. Stadler, *Performance Values*, 83 NOTRE DAME L. REV. 697, 731 (2008).

yet to be resolved, but the future of a misuse defense grounded in anticompetitive behavior seems to be one of 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 misuse seems to be on the decline.<sup>283</sup> 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, copyright misuse should be firmly and primarily grounded in First Amendment speech interests. Although 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 arrangements 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>284</sup> but it does not give its owner power to control the speech of others.

The copyright grant is quite another thing. Whereas 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.<sup>285</sup> The difficulties with exercising

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283. *See supra* Part IV.C.

284. Or a patent may give no market power. *See supra* notes 252-54 and accompanying text.

285. *See supra* Part I.



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.<sup>286</sup> 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>287</sup> Although a number of proposals have been made to strengthen or clarify fair use, or to make fair use determinations less costly,<sup>288</sup> if we are interested in simply making more practically available the fair use rights that Congress set out as legally available under § 107 of the Copyright Act, then allowing a claim 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 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 others' 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 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 dichotomy and the fair use doctrine.<sup>289</sup> Both serve to explicitly balance the interests a copyright holder has in 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>290</sup>

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286. *See supra* Part II.

287. 17 U.S.C. § 107 (2006).

288. *See supra* Part III.

289. *See supra* notes 92-108 and accompanying text.

290. *See supra* notes 92-108 and accompanying text.

Notwithstanding some fair criticisms,<sup>291</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 legally allowed under the fair use statute. As described in Part II, copyright holders can deter many fair uses by threatening to sue for copyright infringement. Because there is enough gray area in determining fair use,<sup>292</sup> the cost of defending a copyright infringement suit is high,<sup>293</sup> and because a copyright holder can control whether and when to sue, and when to dismiss a suit if it starts going against him,<sup>294</sup> the mere threat of litigation will deter many uses of copyrighted material that are fair as a matter of law.<sup>295</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 Professor Shloss's fair use.<sup>296</sup>

If we shift the policy basis for the copyright misuse defense from antitrust law to First Amendment speech interests, courts can focus on discouraging copyright misuse that chills speech. Such a shift is warranted for two reasons. First, as the above critiques of antitrust-based misuse point out, antitrust law provides protection against the very anticompetitive behavior that courts have used misuse to address, perhaps with more accurate results.<sup>297</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 that is

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291. *See supra* Part III.

292. *See supra* notes 98-99, 110-11 and accompanying text.

293. *See supra* notes 114-16 and accompanying text.

294. *See supra* note 118 and accompanying text.

295. *See supra* notes 96-99 and accompanying text.

296. *See supra* Part I.

297. *See supra* Part IV.B.1.

not currently provided by any other area of law for fair use rights. Not only is such a shift in the foundations of a copyright misuse defense desirable, it is a solution that courts can readily implement. It is an equitable defense developed by the courts and thus subject to revision by the courts.<sup>298</sup> This Article shows that the anticompetitive behavior with which courts generally have been concerned in misuse cases can be addressed, perhaps better, through antitrust law.<sup>299</sup> 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, courts are entirely right and proper in focusing 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 with respect to either the defendant or anyone else. Recall that in *Lasercomb* the court refused to enforce the plaintiff's copyright not only against the victims of the plaintiff's misuse but against anyone, even a defendant who had copied Lasercomb's software and marketed it as its own.<sup>300</sup> 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

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298. Cf. Joe Potenza et al., *Patent Misuse—The Critical Balance, A Patent Lawyer's View*, 15 FED. CIR. 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.”) (footnote omitted).

299. See *supra* Part IV.B.1.

300. *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990); *supra* notes 189-204.

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.<sup>301</sup> Some commentators have even suggested that violations of First Amendment speech interests could be part of the basis for copyright misuse,<sup>302</sup> 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>303</sup> Cotter's approach allows misuse to focus on both 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>304</sup> Once problematic behavior is identified, Cotter urges courts to develop a more predictable set of criteria for determining misuse, preferably by focusing on a handful of recurring situations, such as overbroad contractual restrictions on reverse engineering or contractual restrictions that prohibit the licensee from engaging in fair use.<sup>305</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>306</sup> Finally, the remedy for misuse would be simply that a challenged contractual provision would be unenforceable.<sup>307</sup>

Although Cotter's suggestions have merit when it comes to adding predictability to misuse determinations, his approach would actu-

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301. See *infra* notes 303-09 and accompanying text.

302. See *infra* note 309.

303. Cotter, *supra* note 255, at 963.

304. *Id.*

305. *Id.* at 963-64.

306. *Id.* at 960-62.

307. *Id.* at 934.

ally 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 against copyright holders who would seek to threaten or pursue litigation to deter fair use. Moreover, Cotter's restriction on 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. As a result, 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—the ability to defend based on a copyright holder's misuse of his patent against anyone—would disappear under Cotter's system.<sup>308</sup>

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>309</sup> But none of

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308. 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* notes 157-59 and accompanying text.

309. See, e.g., Aaron Xavier Fellmeth, *Copyright Misuse and the Limits of the Intellectual Property Monopoly*, 6 J. INTELL. PROP. L. 1, 40 (1998) (“[C]ourts 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 deterring clear antitrust violations by copyright owners.”); Frischmann & Moylan, *supra* note 157, at 871 (proposing “narrow public policy-based per se rules [to] supplement a core antitrust-based [misuse] defense”); Patry & Posner, *supra* note 149, at 1658 (“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.”); Note, *supra* note 154, at 1307-08 (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” and holding that “the scope of the copyright misuse defense should extend to the point where the copyright owner has extended the copyright

these proposals recognize the need to make First Amendment principles the first and primary basis for the copyright misuse defense. Failing to base the copyright misuse defense in First Amendment principles will lead to confused decision making 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’ attention 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>310</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>311</sup> If

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beyond the grant and, therefore, has subverted public policy”). *But see* Aylward, *supra* note 247, at 691-93 (opining that copyright misuse’s policy basis is broader than antitrust but should not be).

310. Although courts focus on the incentive purpose of copyright, they focus on 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) (stating that 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.”); 1 PAUL GOLDSTEIN, *GOLDSTEIN ON COPYRIGHT* § 1.14.2 (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[A] (2009) (“[T]he 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.”) (footnotes omitted).

311. *Harper & Row, Publishers, Inc. 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 Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984)

a court 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. This would be an 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. This ability to bring forth evidence of a copyright holder’s misuse against anyone as a defense in any copyright infringement suit will cause copyright holders to think carefully before being too aggressive in seeking to deter obvious fair use.

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 the First Amendment speech interests of others, then we must look beyond mere wrongful threats of litigation and also consider the licensing practices of copyright holders. There are certain restrictions in copyright licenses that will run afoul of the misuse defense. In considering a copyright holder’s licensing practices, courts will perform an analysis that is somewhat similar to the analysis that courts have traditionally performed in deciding misuse defenses, except that, instead of looking for an economic tie, courts will look to whether a copyright holder has tied his grant of copyright permission to unreasonable restrictions on the speech interest of the licensee of the work.

Courts might focus on copyright misuse affecting speech interests in licensing in a number of different ways. First, courts may wish to explicitly define some presumptions of copyright misuse. Five types of per se misuse might be (1) knowingly misrepresenting that one owns copyrights that one does not, (2) contractual restrictions that

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(stating that the 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”); *United States v. Paramount Pictures, Inc.*, 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”).

prohibit a licensee from engaging in fair use,<sup>312</sup> (3) attempts by a copyright holder to gain editorial or narrative control over the work of a third party who is not an agent of the copyright holder,<sup>313</sup> (4) attempts by a copyright holder to cut off areas of inquiry for third parties using the holder's copyrights, or (5) attempts by a copyright holder to put certain subject matter out of the bounds of inquiry of a third-party 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.

License provisions tying editorial control or subject matter restrictions to copyright use are misuses of copyright not because they leverage the copyright for financial gain, but because they chill First Amendment speech of others. Similarly, any licensing requirements that forbid inquiry into certain areas, or that otherwise seek to control the content of the licensee's work, should presumptively be copyright misuse. Thus, biographers should 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.<sup>314</sup> 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

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312. This presumptive misuse is adopted from Cotter, *supra* note 255.

313. To qualify for copyright misuse based on speech interests the copyright holder must be trying to gain control of the work of a third party who is not in an employment or agency relationship with the copyright holder. Plainly a copyright holder must be allowed to set terms for those who work on her behalf. An author objecting to the way her publicist describes her book would obviously not be copyright misuse. Likewise, a movie distributor licensing others to show trailers of its movies may reasonably restrict its licensees from making derogatory comments about the movies because other venues for criticism of the movies exist and the movie distributor should be able to control licensed promotion of the movie. *See* Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc., 342 F.3d 191, 206 (3d Cir. 2003).

314. This is not to say that the author's estate should not be able to make any choices concerning who writes about the author. An estate would be within its rights to deny any license to a biographer well-known for being a sensationalist, or even to one who is simply a poor writer. Such writers can then rely on fair use to make their unauthorized biographies. It should not be copyright misuse for an estate or author to chose a biographer, rather, misuse occurs when the estate tries to control what a biographer says via its licensing of copyrighted works.



was taking a risk that it would make them unenforceable against everyone.

In addition to presumptions of misuse that focus on the actions of the copyright holder, courts may add presumptions of misuse that focus on the type of use that the user of the copyrighted work seeks to make. For instance, courts could say that there is presumptive First Amendment value to the use of copyrighted works for purposes of scholarship, reporting, or commenting on matters of public concern or on public figures; therefore, copyright misuse may 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. 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 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.

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>315</sup>

Moreover, the potential for a misuse claim to be brought in future infringement lawsuits will provide deterrence to the copyright holder against engaging in 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.

While this Article sets forth the First Amendment speech-based rationale for the defense of copyright misuse, it should not be

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315. Neil MacCormick, *Institutional Normative Order: A Conception of Law*, 82 CORNELL L. REV. 1051, 1063 (1997).

interpreted as an argument that the defense of copyright misuse should only apply if a court's enforcement of a copyright would violate a defendant's First Amendment speech interests in using the copyrighted work. Rather, courts should use the equitable defense of copyright misuse to help give practical protection to the speech interests of subsequent users of copyrighted works without having to make a formal First Amendment inquiry. Courts should model their application of copyright misuse after their application of fair use. There courts created the defense of fair use as a way to protect the First Amendment interests of subsequent users of copyrighted works.<sup>316</sup> Courts deciding fair use cases did not engage in discussions of whether to enforce a copyright in a particular instance would violate a subsequent speaker's First Amendment rights. Rather, courts devised a test for fair use that seeks to balance the interests of copyright owners and later speakers.<sup>317</sup> Courts have been explicit in saying that fair use exists to serve speech interests, but have developed a body of fair use law that is neither coterminous with, nor strictly limited to, the First Amendment speech rights of subsequent users of copyrights.<sup>318</sup> Likewise, courts should apply the equitable defense of copyright misuse to form a buffer of protection around speech interests so that First Amendment violations do not occur in the enforcement of copyrights. Thus it is reasonable for courts to call certain acts misuse even if they may not rise to the level of First Amendment violations.

An objection to speech-based copyright misuse might be that a strong speech-based copyright misuse defense will strip copyright holders of the ability to protect their copyrighted works if they mistakenly get the fair use determination wrong when engaged in licensing and enforcement of their copyrights. This objection is easily dealt with, because misuse cannot be found simply because a court determines that a copyright holder was wrong about his good-faith belief that certain uses of his copyrighted works were infringing. It would be plainly counterproductive to make copyright

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316. *See supra* notes 3-4 and accompanying text.

317. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 560-69 (1985).

318. While the right of fair use is now part of the Copyright Statute, 17 U.S.C. § 107 (2006), courts first developed it as an equitable defense based on, but not strictly limited to, First Amendment interests of subsequent users of copyrighted works. *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994).

misuse a strict liability punishment for getting the famously difficult determination of fair use wrong.<sup>319</sup> Rather, before ruling that a copyright holder has misused his copyright, a court should determine that the copyright holder's conduct went well above and beyond the conduct of a copyright owner engaged in good-faith negotiation or litigation regarding his copyrights. Some examples of egregious conduct that should qualify as misuse are (1) that a copyright holder engaged in the conduct set out above that qualifies as presumptive misuse;<sup>320</sup> (2) that a copyright holder threatened or pursued litigation without a good-faith infringement argument; or (3) that a copyright holder knowingly misrepresented his rights under copyright law to control the subsequent user's speech.<sup>321</sup>

If 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 must 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 own misuse.<sup>322</sup> 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.<sup>323</sup> In cases of prolonged misuse, however, like that engaged in by the Joyce Estate,<sup>324</sup> a court should hold 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

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319. *See supra* note 109 and accompanying text.

320. *See supra* notes 310-13 and accompanying text.

321. Patry & Posner, *supra* note 149, at 1645 ("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.")

322. *See supra* notes 159, 165 and accompanying text.

323. *Cf. supra* note 312 and accompanying text.

324. *See supra* Part I.

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 rather 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 simply to present the example of how the Joyce Estate granted permission to Brenda Maddox to quote from Joyce's work on the 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 Estate could not enforce its copyrights for a set number of years, perhaps five or ten 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. Copyright holders can always 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 risk 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.<sup>325</sup> If a patent owner merely threatens to sue, the alleged infringer can file a declaratory judgment action seeking to have the patent judged not infringed and invalid. The only way

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325. See *supra* notes 160-66 and accompanying text (showing how Morton Salt's patent was de facto invalidated).

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.<sup>326</sup> Although such a covenant preserves the validity of the patent, too many covenants like this 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 privileged the alleged infringer's use and 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 the 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 have been implemented, nor are 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 though the antitrust basis for the defense has been seriously undercut by critics. Courts can take this

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326. *Cf. supra* note 118 and accompanying text (covenant not to sue in copyright).

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 unique features that make it strong enough to adequately deter abusive copyright holders bent on chilling speech: (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.