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Refusals to Deal with Competitors by Owners of Patents and Copyrights: Reflections on the Image Technical and Xerox Decisions

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REFUSALS TO DEAL WITH COMPETITORS BY OWNERS OF PATENTS AND COPYRIGHTS: REFLECTIONS ON THE *IMAGE TECHNICAL* AND *XEROX* DECISIONS

Joseph P. Bauer*

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* Professor of Law, Notre Dame Law School. B.A., University of Pennsylvania 1966; J.D., Harvard Law School 1969. A draft of this Article was presented at Intellectual Property Licensing by the Dominant Firm: Issues and Problems, a symposium sponsored by the DePaul University College of Law Center for Intellectual Property Law & Information Technology (CIPLIT), on April 15, 2005. I would like to thank Professors Michael Carrier, Peter Carstensen, Edward Cavanagh, Harry First, Shubha Ghosh, Daniel Gifford, Warren Grimes, Herbert Hovenkamp, Michael Jacobs, John Kirkwood, Roberta Kwall, James Langenfeld, Marina Lao, John Lopatka, Max Oppenheimer, William Page, Mark Patterson, Steven Ross, and Spencer Weber Waller for their helpful comments and suggestions, and Jason Brost, Notre Dame Law School, Class of 2006, for his valuable research assistance.

INTRODUCTION

Under the patent and copyright laws, the owner of a patent for an invention or of a copyright for a work has the right to sell, license, or transfer; to exploit it individually and exclusively; or even to withhold it from the public.¹ By contrast, under the antitrust laws, a unilateral refusal to deal may constitute an element of a violation of § 2 of the Sherman Act, and the courts may then impose a duty on the violator to deal with others, including possibly with its actual or would-be competitors.²

The central question addressed by this Article arises from an attempt to harmonize these potentially conflicting principles: Under what circumstances should the antitrust laws impose a duty to deal on the owner of intellectual property? Two important court of appeals decisions have taken notably different approaches to this question. In *Image Technical Services, Inc. v. Eastman Kodak (Image Technical)*,³ the Ninth Circuit held that in the absence of legitimate business justifications, the owner of copyright and patent rights violated the Sherman Act by its refusal to sell or license to its competitors the products subject to intellectual property protection. A few years later, in *In re Independent Service Organizations Antitrust Litigation (Xerox)*,⁴ the Court of Appeals for the Federal Circuit expressly disagreed with the Ninth Circuit and rejected the proposition that even in the absence of legitimate justifications, the antitrust laws might impose a duty on the owner of patents or copyrights to deal with competitors.

On several occasions, albeit not in the context of intellectual property, the Supreme Court has recognized that the antitrust laws may impose a duty on a firm with market power to deal with its competitors.⁵ Last term, however, the Supreme Court limited the reach of some of those prior decisions in *Verizon Communications, Inc. v. Law Offices of Curtis V. Trinko, L.L.P. (Trinko)*.⁶

This Article will explore this apparent—but in fact exaggerated—tension between the intellectual property regime and the antitrust laws. What are the policy justifications for imposing, or refusing to impose, a duty on the owner of intellectual property to deal with com-

1. See *infra* notes 73–79 and accompanying text.

2. See, e.g., *Eastman Kodak Co. v. Image Technical Servs., Inc.*, 504 U.S. 451 (1992); *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585 (1985); *Otter Tail Power Co. v. United States*, 410 U.S. 366 (1973); *Lorain Journal Co. v. United States*, 342 U.S. 143 (1951).

3. 125 F.3d 1195 (9th Cir. 1997), *cert. denied*, 523 U.S. 1094 (1998).

4. 203 F.3d 1322 (Fed. Cir. 2000), *cert. denied*, 531 U.S. 1143 (2001).

5. See *supra* note 2.

6. 540 U.S. 398 (2004).

petitors? Why do I conclude that *Image Technical* was correctly decided? Why does *Image Technical* remain sound doctrine after *Xerox*, *Trinko*, and a handful of other recent cases?

I begin in Part II by analyzing the *Image Technical* and *Xerox* decisions. In Part III, I review other court of appeals decisions that have examined these issues. Part IV then identifies the policies underlying the antitrust and intellectual property regimes, followed in Part V by a discussion of the statutes and case law governing these two regimes that speak generally to the question of the duty by the owner of intellectual property, and of other kinds of property, to deal with competitors. In Part VI, I offer a harmonization of the supposedly conflicting policies of these two regimes, which is based on the principle that patents and copyrights offer defined rights, with defined limits, to their owners. I therefore conclude that attempts to extend the "monopoly" conferred by the patent or copyright, by seeking to exercise rights beyond the statutory scope of the copyright or patent, are unlawful. This analysis supports my contention that the result reached by the Ninth Circuit in *Image Technical* is sound as a matter both of law and of policy.

II. *IMAGE TECHNICAL* AND *XEROX*

The *Image Technical* decision was the Ninth Circuit's reconsideration, after remand from the Supreme Court, of challenges by independent service organizations (ISOs) to restrictive sales policies adopted by Eastman Kodak, a manufacturer of photocopiers and micrographic reproduction equipment.⁷ The plaintiffs, in competition with Kodak's service branch, offered repair service to the purchasers of defendant's machines. In most situations, those repairs required the replacement of parts that were available only from Kodak or from the third party manufacturers of those parts.⁸ For several years, Kodak had sold replacement parts to the ISOs; after an increase in competition from ISOs in the service market, however, Kodak changed its policy, declin-

7. The district court had originally granted the defendant-Kodak's motion for summary judgment. *Image Technical Servs., Inc. v. Eastman Kodak Co.*, 1989-1 Trade Cas. (CCH) ¶ 68,402 (N.D. Cal. Apr. 18, 1988). This judgment was reversed by the Ninth Circuit. *Image Technical Serv. v. Eastman Kodak Co.*, 903 F.2d 612 (9th Cir. 1990). The Supreme Court affirmed the denial of summary judgment and remanded for further proceedings. *Eastman Kodak Co. v. Image Technical Servs.*, 504 U.S. 451 (1992). The case was then tried before a jury, resulting in a substantial verdict and judgment for the plaintiffs. See *Image Technical* 125 F.3d at 1201.

8. Some, but not all, of these parts were subject to patent protection. See *infra* note 14 and accompanying text. "[A]ll Kodak diagnostic software and service software [was] copyrighted." *Image Technical*, 125 F.3d at 1214.

ing to sell to the ISOs and securing agreements from the third-party manufacturers that they also would not sell parts to ISOs.

On appeal from the judgment awarding the ISOs both monetary and injunctive relief, the Ninth Circuit affirmed the trial court's conclusion that Kodak's refusals to deal constituted an element of the offenses of monopolization and attempting to monopolize, in violation of § 2 of the Sherman Act. The district court entered a ten-year permanent injunction requiring Kodak to sell all parts to all ISOs at reasonable prices.⁹ Although the court of appeals modified the terms of the injunction,¹⁰ the court definitively rejected Kodak's "maximalist" argument—that the entry of such an injunction was inconsistent with the absolute right of a copyright or patent owner to decide to whom to sell, or *not to sell*, its intellectual property.

The Ninth Circuit recognized the opposing tugs of intellectual property and antitrust law, which I referred to at the outset of this Article. But the court of appeals rejected the defendant's contention that the ownership of those patents and copyrights alone sufficed to overcome the plaintiffs' assertion that Kodak's refusal to sell to ISOs constituted unlawful exclusionary conduct. The court accepted "Kodak's contention that its refusal to sell its parts to ISOs . . . based on its reluctance to sell its patented or copyrighted parts was a *presumptively legitimate business justification*."¹¹ In the key portion of the opinion addressing the issue raised by this Article, however, the court held that this presumption was *rebuttable*—either for the not terribly remarkable reason that "the monopolist acquired the protection of the intellectual property laws in an unlawful manner,"¹² or for the potentially far more significant reason, that the asserted business justification "does not legitimately promote competition or that the justification is *pretextual*."¹³

Here, the Ninth Circuit found substantial evidence that Kodak's proffered concern of protecting its intellectual property interests as the reason for its refusal to sell parts to the ISOs was indeed pretextual. Kodak had previously sold parts to ISOs, thus indicating its own

9. See *Image Technical Servs. v. Eastman Kodak Co.*, 1996-2 Trade Cas. (CCH) ¶ 71,624 (N.D. Cal. Feb. 28, 1996) (post-judgment memorandum on motion for permanent injunction).

10. The court ordered the deletion of provisions respecting the reasonableness of Kodak's prices, ordering instead that the prices be nondiscriminatory. *Image Technical*, 125 F.3d at 1224-28.

11. *Id.* at 1219 (emphasis added). The court noted that this "presumption should act to focus the factfinder on the primary interest of both intellectual property and antitrust laws: public interest." *Id.* at 1218.

12. *Id.*

13. *Id.* at 1212 (emphasis added).

assessment that such a practice was profitable; it adopted the challenged policy only after one ISO won a contract with the State of California. Kodak also continued to sell parts to customers who serviced their own machines. And its refusal to sell to the ISOs applied not only to the sixty-five replacement parts covered by patents, but also to the thousands of other parts that were not patented.¹⁴

The court's alternative formulation—that the presumption that a defendant's refusal to deal was legitimate could be rebutted by a showing that the justification did not “legitimately promote competition”¹⁵—is potentially far more expansive. The basis for rebutting the presumption would involve courts in the daunting role of weighing, in individual cases, the procompetitive goals of the antitrust laws against the mixed goals of intellectual property regimes, which include the grant of a federally protected monopoly of finite duration as the incentive and reward for inventiveness and creativity.¹⁶ But the court of appeals did not weigh this concern as an independent ground for overriding the presumption. Instead, it conflated these two bases by observing that “[n]either the aims of intellectual property law, nor the antitrust laws justify allowing a monopolist to rely upon a pretextual business justification to mask anticompetitive conduct.”¹⁷ Nonetheless, the court's examination of the pretextual nature of Kodak's explanation for its conduct is helpful in another way—it supports the conclusion that the refusal to deal had serious anticompetitive effects (by shutting the ISOs out of the service market) without any offsetting efficiencies or potential benefits to consumers.¹⁸

In contrast, three years later in *In re Independent Service Organizations Antitrust Litigation v. Xerox Corp.*,¹⁹ the Court of Appeals for the Federal Circuit erected far higher hurdles for an antitrust plaintiff challenging a patent or copyright owner's refusal to deal. The facts were similar to those in *Image Technical*. The defendant, Xerox, was the manufacturer of high volume copiers, and over time, it had implemented a policy of refusing to sell replacement parts to ISOs that competed with it for the servicing of its machines. Xerox also refused

14. *Id.* at 1219. Another indication, although not referred to by the Ninth Circuit, that this asserted justification was pretextual is that the defense was not raised in earlier stages of the litigation, including before the Supreme Court.

15. *Image Technical*, 125 F.3d at 1212.

16. As this Article demonstrates, this “monopoly” does not confer immunity from scrutiny under the antitrust laws of the use of that intellectual property.

17. *Image Technical*, 125 F.3d at 1219.

18. See generally Marina Lao, *Reclaiming a Role for Intent Evidence in Monopolization Analysis*, 54 AM. U. L. REV. 151 (2004).

19. 203 F.3d 1322, 1327 (Fed. Cir. 2000) (patent claim); *id.* at 1329 (copyright claim).

to sell copyrighted manuals for its copiers or to license copyrighted software to the ISOs. Explicitly declining to follow the Ninth Circuit's approach in *Image Technical*, the Federal Circuit held²⁰ that the absolute right of the owner of patented or copyrighted products to refuse to sell to others could be overcome only if the patent or copyright had been obtained by illegal means,²¹ or, with respect to copyrighted materials, if the copyrights "were used to gain monopoly power beyond the statutory copyright granted by Congress."²² The *Xerox* court expressly rejected any judicial inquiry into the defendant's "subjective motivation," such as the pretextual reasons offered by Kodak in *Image Technical*, even if the defendant's refusal to deal resulted in injury to competition.²³

These two decisions obviously reflect different approaches to reconciling the apparently different values embodied in the antitrust and intellectual property regimes.²⁴ The Federal Circuit's conclusion in

20. Because this case involved an appeal from a judgment of the District Court of Kansas, the court of appeals analyzed the balancing of the *patent* and antitrust laws under Federal Circuit law but analyzed the balancing of the *copyright* and antitrust laws under precedents of the Tenth Circuit. *Id.* at 1325.

The patent claims, which allegedly gave the Federal Circuit appellate jurisdiction, were in fact contained in defendant-Xerox's counterclaim to the Sherman Act claims brought by the ISOs. Subsequently, in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826 (2002), the Supreme Court held that the Federal Circuit's exclusive jurisdiction over patent claims does *not* extend to such counterclaims because such an action does not "arise under" the Patent Act. Therefore, today the *Xerox* case would have been heard by the Tenth Circuit, which presumably would have applied its own precedent to all issues.

21. The court recognized that the patent owner's right to refuse to deal would be overcome if the patent was obtained through a knowing and willful fraud on the Patent Office or if the patent infringement suit was a "mere sham" under the *Noerr-Pennington* doctrine. Neither of these two exceptions was implicated here. *Xerox*, 203 F.3d at 1326.

22. *Id.* at 1329. It is unclear just what possibilities are open to an antitrust plaintiff under this cryptic reference. Is this a hint about copyright misuse? See *infra* notes 111-117 and accompanying text.

As noted previously, the Federal Circuit followed Tenth Circuit law for the copyright analysis, see *supra* note 20, concluding that the Tenth Circuit would have followed the First Circuit's decision in *Data General Corp. v. Grumman Systems Support Corp.*, 36 F.3d 1147 (1st Cir. 1994). *Data General* is discussed *infra* notes 29-32 and accompanying text.

23. The court continued: "We therefore will not inquire into [the patent owner's] subjective motivation for exerting his statutory rights, even though his refusal to sell or license his patented invention may have an anticompetitive effect, so long as that anticompetitive effect is not illegally extended beyond the statutory patent grant." *Xerox*, 203 F.3d at 1327-28.

24. In response to the Court's invitation, see *CSU, L.L.C. v. Xerox Corp.*, 531 U.S. 922 (2000), the Solicitor General submitted a brief recommending a denial of *certiorari* in *Xerox*, suggesting that it was not an "appropriate vehicle for the resolution of the difficult questions implicated by the intersection of antitrust law and intellectual property law." Brief for the United States as Amicus Curiae at 7, *CSU, L.L.C. v. Xerox Corp.*, 531 U.S. 1143 (No. 00-62), 2001 WL 34135314. The United States argued that the Ninth Circuit's and Federal Circuit's decisions contained procedural obstacles and "significant ambiguities," respectively, resulting in a lack of clarity as to the scope of their holdings, and that therefore these two decisions were not necessarily inconsis-

Xerox is not the product of an express elevation of intellectual property law over antitrust. As a practical matter, however, it reaches precisely that result by viewing the rights of the patent or copyright owner far more expansively and in more absolute terms than is called for under either the policies underlying the intellectual property regime or the statutes and interpretive case law.²⁵

In fact, the antitrust, patent, and copyright regimes should be viewed as complementary systems for achieving a common goal—the maximization of consumer welfare—albeit by following different paths.²⁶ I conclude, therefore, that the Ninth Circuit’s approach is the correct outcome.²⁷ After a review of the discussion of this issue in

tent. *Id.* The brief also suggested that the law in this area required further development before Supreme Court review would be appropriate. *Id.* at 16; see also *CSU*, 531 U.S. at 1143 (denying *certiorari*).

One author has written:

The tension between the Ninth Circuit’s *Kodak* decision and the Federal Circuit’s *Xerox* decision will need to be resolved in a case that presents a clear test of when antitrust issues can be considered in the presence of patents. Absent such a resolve or a consensus, both primary and developmental innovations are likely to be deterred by the existing uncertainty in the courts.

James Langenfeld, *Intellectual Property and Antitrust: Steps Toward Striking a Balance*, 52 CASE W. RES. L. REV. 91, 110 (2001).

25. See Michael A. Carrier, *Unraveling the Patent-Antitrust Paradox*, 150 U. PA. L. REV. 761, 764 (2002) (“To state that action within the scope of the patent should automatically be immune from antitrust scrutiny (so the incentives underlying the patent system are not diminished) ‘solves’ the patent-antitrust conflict only by according priority to the patent laws.”); *id.* at 778 (“In short, the *Xerox* approach prevents antitrust from playing any legitimate role in the attempt to increase welfare.”) (internal citation omitted).

26. See *Atari Games Corp. v. Nintendo of Am., Inc.*, 897 F.2d 1572, 1576 (Fed. Cir. 1990) (“[T]he aims and objectives of patent and antitrust laws may seem, at first glance, wholly at odds. However, the two bodies of law are actually complementary, as both are aimed at encouraging innovation, industry and competition.”); E. Thomas Sullivan, *The Confluence of Antitrust and Intellectual Property at the New Century*, 1 MINN. INTELL. PROP. REV. 1, 2 (2000) (“Although tensions exist between antitrust and intellectual property, the two legal regimes are complementary.”). See also HERBERT HOVENKAMP ET AL., *IP AND ANTITRUST* § 13.3d4, at 13-31 (2002 & Supp. 2004) (attempting to reconcile the approaches of *Image Technical*, *Xerox*, and *Data General*, and suggesting that *Xerox*’s “irrebuttable presumption may be appropriate . . . but only within narrow confines”).

27. Previous commentators who have criticized the Federal Circuit’s near-absolute rejection of a duty to deal by the owner of intellectual property include James B. Gambrell, *The Evolving Interplay of Patent Rights and Antitrust Restraints in the Federal Circuit*, 9 TEX. INTELL. PROP. L.J. 137, 156 (2000) (stating that the Federal Circuit “elevates patent rights at the expense of unfair competition and core antitrust principles that it was not given jurisdiction to control”); Simon Genevaz, *Against Immunity for Unilateral Refusals to Deal in Intellectual Property: Why Antitrust Law Should Not Distinguish Between IP and Other Property Rights*, 19 BERKELEY TECH. L.J. 741 (2004) (arguing against different antitrust treatment for intellectual property, and suggesting rule of reason analysis of all unilateral refusals to deal); A. Douglas Melamed & Ali M. Stoeppelwerth, *The CSU Case: Facts, Formalism and the Intersection of Antitrust and Intellectual Property Law*, 10 GEO. MASON L. REV. 407, 407 (2002) (characterizing *CSU* as “wrong as a matter of both law and policy”); Nicholas Oettinger, *In re Independent Service Organizations*

some other appellate decisions, I explain why the balance drawn in *Image Technical* between these two bodies of law is in fact fully consistent with the policies they embody and the goals they seek to achieve.²⁸

Antitrust Litigation, 16 BERKELEY TECH. L.J. 323, 323 (2001) (*Xerox's* "broad protection for intellectual property rights will likely harm competition"); Robert Pitofsky, *Challenges of the New Economy: Issues at the Intersection of Antitrust and Intellectual Property*, 68 ANTITRUST L.J. 913, 919–23 (2001); *id.* at 920 (criticizing *Xerox*, which contains "sweeping language that exalts patent and copyright rights over other considerations"); Suzzette Rodriguez Hurley, Note, *Failing to Balance Patent Rights and Antitrust Concerns: The Federal Circuit's Holding in In re Independent Service Organizations Antitrust Litigation*, 13 FED. CIR. B.J. 475 (2004); *see also* Seungwoo Son, *Selective Refusals to Sell Patented Goods: The Relationship Between Patent Rights and Antitrust Law*, U. ILL. J.L. TECH. & POL'Y 109, 190–91 (2002). Son stated:

[I]f a patent holder's refusal to deal derived from a conditional or selective licensing practice, and the patentee (1) has market power, (2) excludes or substantially impairs the competitive capacity of a competitor or brings about anti-competitive effects in a related market, or (3) constrains customer choices directly or indirectly, then, unless it proffers a valid reason to justify its refusal, the conduct as a category of patent misuse should be condemned under Section 2 of the Sherman Act.

Id. at 191.

See also Aaron B. Rabinowitz, *When Does a Patent Right Become an Antitrust Wrong? Antitrust Liability for Refusals to Deal in Patented Goods*, 11 RICH. J.L. & TECH. 2, 28 (2005), available at <http://law.richmond.edu/jolt/v11i2/article7.pdf> ("[A]dopting the *Xerox* rule would have greater negative consequences for the nation's consumers than would adopting the Ninth Circuit's rule in *Kodak II*").

28. Not surprisingly, a number of commentators take the opposite view, criticizing the Ninth Circuit's approach in *Image Technical*. *See, e.g.,* James C. Burling et al., *The Antitrust Duty to Deal and Intellectual Property Rights*, 24 J. CORP. L. 527, 541 (1999) (*Image Technical's* "analysis was grossly misguided"); Daniel J. Gifford, *The Antitrust/Intellectual Property Interface: An Emerging Solution to an Intractable Problem*, 31 HOFSTRA L. REV. 363, 409 (2002) ("The Federal Circuit's approach appears administratively superior to that of the Ninth Circuit because it carries a greater potential for consistent application."); R. Hewitt Pate, *Refusals to Deal and Intellectual Property Rights*, 10 GEO. MASON L. REV. 429, 431, 438–41 (2002); Sharon Brawner McCullen, Comment, *The Federal Circuit and Ninth Circuit Face-Off: Does A Patent Holder Violate the Sherman Act by Unilaterally Excluding Others From a Patented Invention in More Than One Relevant Market?*, 74 TEMP. L. REV. 469 (2001). *See also* Peter M. Boyle et al., *Antitrust Law at the Federal Circuit: Red Light or Green Light at the IP-Antitrust Intersection?*, 69 ANTITRUST L.J. 739, 747 (2002) ("*Xerox* got it right, at least with respect to its ultimate holding on liability. . . . [But the decision is] marred by murky reasoning and thin support on critical points . . ."); Michelle M. Burtis & Bruce H. Kobayashi, *Why an Original Can Be Better Than a Copy: Intellectual Property, The Antitrust Refusal to Deal, and ISO Antitrust Litigation*, 9 SUP. CT. ECON. REV. 143, 145 (2001) (suggesting that the *Image Technical* and *Xerox* decisions "can coexist legally and as a matter of economics," but that *Xerox* "efficiently balances the intellectual property and antitrust laws").

Professors Lopatka and Page criticize both decisions. *See* John E. Lopatka & William H. Page, *Monopolization, Innovation, and Consumer Welfare*, 69 GEO. WASH. L. REV. 367, 395–96 (2001) ("The result in *ISO* avoids the troublesome inquiry into motivation proposed by the Ninth Circuit in *Kodak*, but raises questions of its own. . . . [*ISO*] attempt[ed], admirably but disingenuously, to limit the damaging reach of *Kodak*"). *Cf.* Benjamin Klein & John Shepard Wiley, Jr., *Competitive Price Discrimination as an Antitrust Justification for Intellectual Property Refusals to Deal*, 70 ANTITRUST L.J. 599 (2003) (declining to discuss whether the presence of intellectual property rights should be a sufficient defense to a refusal to deal, but arguing that the

III. ANALYSIS BY OTHER COURTS OF APPEALS

While *Image Technical* and *Xerox* are the leading decisions examining the duty of the owner of intellectual property to license or sell its patented or copyrighted product to others, they are not the only cases to have considered this question. Rather, the first important judicial discussion of this question—although a case that at the end of the day is remarkable for its confusing and inconclusive analysis—is the First Circuit’s opinion in *Data General Corp. v. Grumman Systems Support Corp.*²⁹

In that case, the plaintiff, Data General (DG), manufactured and sold computers and also developed ADEX, a proprietary computer program for diagnosing problems in its computers. Although DG had initially sold replacement parts for its computers to “third party maintainers” (TPMs), and also had sold or licensed its diagnostic software to TPMs, it subsequently altered that policy. DG eventually decided to sell those parts only directly to its customers or to other sources, but *not* to TPMs, and it refused to license ADEX either to its own customers or to customers of TPMs.

DG filed an action against Grumman, a TPM (and thus a competitor of the plaintiff in the market to service DG’s computers), alleging that the defendant had engaged in copyright infringement and misappropriation of trade secrets with respect to ADEX. The defendant asserted that DG’s refusal to grant a license for ADEX to Grumman violated the antitrust laws. Rejecting that defense, the court of appeals stated:

[W]e hold that while exclusionary conduct can include a monopolist’s unilateral refusal to license a copyright, an author’s desire to exclude others from use of its copyrighted work is a *presumptively valid* business justification for any immediate harm to consumers. . . . Wary of undermining the Sherman Act, however, we do not hold that an antitrust plaintiff can never rebut this presumption, for there may be rare cases in which imposing antitrust liability is unlikely to frustrate the objectives of the Copyright Act.³⁰

Unlike *Image Technical*, however, the First Circuit’s opinion never provided the critical missing elements: Just what were those “rare cases” that would suffice to overcome this presumption, and what kind of evidence would be required of the plaintiff?

defendants’ practices in *Image Technical* and *Xerox* are best understood as attempts at aftermarket metering price discrimination—legitimate business justifications with a limited likelihood of producing anticompetitive effects).

29. *Data General Corp. v. Grumman Sys. Support Corp.*, 36 F.3d 1147 (1st Cir. 1994).

30. *Id.* at 1187 & n.64 (emphasis added).

The court of appeals noted that there was no evidence before it of what would be the obvious exception recognized in both *Image Technical* and *Xerox*—unlawful conduct by DG in the acquisition of the copyright. The court also hinted that an *Aspen Skiing* situation³¹—prior dealings between the copyright owner and its competitors, which the owner then terminated—*might* also overcome the presumption. But it then proceeded to distinguish *Aspen Skiing* based on the differences in the defendants' motivations for termination and the different competitive effects of these two decisions. Finally, the court made cryptic reference to evidence that DG knew that the development of improved diagnostic software such as ADEX would help maintain its monopoly position in the aftermarket for service of DG computers, perhaps suggesting that in some situations this knowledge or intent might be another basis for overcoming the presumption. But, the court then noted that here this improved software enhanced the quality of DG's repair services and thus benefited its customers.³²

A few months prior to the *Xerox* decision, in *Intergraph Corp. v. Intel Corp.*,³³ a different panel of the Federal Circuit rejected a claim that a refusal by a manufacturer of patented microprocessors to provide chip samples, technical assistance, and other special customer benefits was unlawful monopolization, under an "essential facilities" theory,³⁴ on the ground that the plaintiff and defendant were not competitors. The court also rejected the plaintiff's generalized refusal to deal claim, regardless of whether the criteria for showing an essential facility were met, finding that the plaintiff's initiation of a patent infringement action against the defendant constituted a legitimate business justification for the defendant to refuse to continue doing

31. *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585 (1985). See *infra* notes 59–60, 130–133 and accompanying text.

32. *Data General*, 36 F.3d at 1187–89.

The court's opinion also contained a brief discussion of DG's other restrictive policies—its refusal to provide spare parts, certain documentation, schematics, and a variety of other products and services to the TPMs. The court's reasons for finding that this conduct was not exclusionary were twofold: First, these goods and services were still available directly to DG's customers, and second, there was no evidence of harm to competition, i.e., that the customers—as opposed to the TPMs—were injured. *Id.* at 1189.

See also *SCM Corp. v. Xerox Corp.*, 645 F.2d 1195, 1206 & n.10 (2d Cir. 1981) (holding that "where a patent has been lawfully acquired, subsequent conduct permissible under the patent laws cannot trigger any liability under the antitrust laws," but expressly "leav[ing] for an appropriate case the resolution of the question whether damage liability can accrue to a holder for refusing to license patents that he subsequently abuses through pooling or otherwise"), *cert. denied*, 455 U.S. 1016 (1982).

33. 195 F.3d 1346, 1356–58 (Fed. Cir. 1999).

34. See *infra* notes 59–65 and accompanying text.

business with the plaintiff.³⁵ Interestingly, the opinion contains no suggestion that the defendant's refusal to deal might be justified because the material withheld was the subject of intellectual property protection.

The reconciliation of the *Image Technical* and *Xerox* decisions was most recently attempted by the Eleventh Circuit in *Telecom Technical Services, Inc. v. Rolm Co.*³⁶ The defendant, Siemens, manufactured private branch exchanges (PBXs), which are computers that direct telephone calls and data transmissions through a network of private extensions. These PBXs included patented parts and copyrighted software. Siemens licensed its operating system software to all end users and to its authorized distributors; it did not, however, license so-called reconfiguration software to anyone because that kind of software allowed Siemens to vary the scope of the licenses and to charge variable prices based on the number of options chosen by the customer. Although Siemens refused to sell the patented parts—needed in most cases to service PBXs—directly to ISOs, Siemens did sell those parts directly to the end users, and it also allowed end users to hire an ISO to service the machine, if they furnished the ISO with a letter of agency authorizing the agent to order the part on the customer's behalf.

The Eleventh Circuit noted that “[s]everal circuits have directly confronted the question of how to weigh the significance of a firm's assertion of intellectual property rights as a justification for its refusal to deal in the context of a § 2 Sherman Act action.”³⁷ It also “recognize[d] that this question lies at the intersection of intellectual property law and antitrust law and presents a difficult and increasingly important issue.”³⁸ Nevertheless, the court concluded that it did not have to reach this question because the plaintiffs' claims could be resolved on other grounds.

Here, the defendant's refusal to deal directly with the ISOs did not raise the same competitive concerns as in *Image Technical* because the refusal did not allow Siemens to expand its monopoly into the *service* market. Because Siemens's customers could purchase the patented parts either from Siemens or from its authorized distributors and could then ask the ISOs to install them, or alternatively, because the letter of agency in fact allowed the ISOs to place those orders with Siemens, customers suffered no harm from the challenged refusal to

35. *Integratph*, 195 F.3d at 1358–59.

36. 388 F.3d 820 (11th Cir. 2004).

37. *Id.* at 826 (citing *Image Technical*, *Xerox*, and *Data General*).

38. *Id.*

deal. The court also found that the refusal to furnish software to the ISOs did not constitute exclusionary behavior. Unlike the diagnostic software at issue in *Image Technical* and *Data General*, which was needed by ISOs to perform repairs, the operating system and reconfiguration software at issue in *Rolm Co.* had no diagnostic or repair function, and "[t]hus, the software [did] not give Siemens a competitive advantage in the *service* market."³⁹

IV. POLICIES UNDERLYING THE ANTITRUST AND INTELLECTUAL PROPERTY REGIMES

This panoply of decisions highlights the judicial inconsistency in defining the scope of the duty of patent and copyright owners to deal with their competitors. An examination of the policies underlying the antitrust and intellectual property regimes serves as a good starting point for explaining why I believe that the balance of interests reflected in the Ninth Circuit's decision in *Image Technical* is the sound and appropriate basis for resolving any conflict between these two regimes.

A. *Antitrust Policies*

The antitrust laws seek to preserve and promote competition; they proscribe a variety of forms of individual or concerted behavior that would inhibit the ultimate goal of advancing consumer welfare. It is true that under certain circumstances, monopolies may be more efficient—perhaps because the relevant market is characterized by ever-increasing economies of scale. While in most situations a monopoly will not be the most efficient way of delivering the widest and best array of goods or services to consumers at low prices, it may be desirable in other industries to permit a firm, which has obtained a monopoly position because it originally offered a more desirable or cheaper product, to maintain that monopoly, on the theory that a rule allowing such firms to harvest monopoly rents is necessary to give them the incentive to invest capital and take risks.⁴⁰ And, to be sure, it is often preferable to allow several firms that otherwise might be competitors to engage in joint ventures or other cooperative behavior. Nonetheless, in most situations, the preference of the antitrust laws is for vigorous competition—among or between a number of firms—as the

39. *Id.* at 828.

40. See, e.g., *United States v. Grinnell Corp.*, 384 U.S. 563, 570–71 (1966) (explaining that one element of a § 2 offense is the "willful acquisition or maintenance of [monopoly] power as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident").

means of maximizing consumer welfare and yielding more and better goods at lower prices. Therefore, with the limitations just mentioned, § 2 of the Sherman Act operates as a barrier against the improper acquisition or control by a single firm of a significant fraction of any relevant market.⁴¹ That statute accomplishes this goal by making it unlawful either for a firm that already has monopoly power, or for a firm whose behavior gives rise to a dangerous probability that it will obtain monopoly power, to engage in a variety of predatory or exclusionary practices, including certain refusals to deal.

B. Policies of Patent and Copyright Laws

The patent and copyright laws were enacted pursuant to authority expressly given to Congress in Article I of the Constitution.⁴² As stated in the preamble to that Clause, the purpose of the grant of a limited monopoly to authors and inventors is “To promote the Progress of Science and the useful Arts”⁴³ Reward to authors and inventors is important to stimulate this creativity. Affording protection also reflects notions of fairness, by not allowing others to free ride by enjoying the benefit of inventions or works without making appropriate compensation to their creators. But these values are secondary to the primary goals of the patent and copyright laws⁴⁴—the production of more and better intellectual property for the benefit of the public, and the promotion of the greatest degree of public access consistent with those other goals.⁴⁵

41. Section 18 of the Clayton Act is intended in part to preclude two firms from undertaking a merger or acquisition when that transaction would result in the merged firms having monopoly power. 15 U.S.C. § 18 (2000).

42. U.S. CONST. art. I, § 8, cl. 8.

43. The Copyright Clause states in its entirety: “The Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries” *Id.* § 8.

44. See *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991) (“The primary objective of copyright is not to reward the labor of authors, but ‘[t]o promote the Progress of Science and useful Arts.’”); *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.”). See also *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2794 (2005) (“[C]opyright’s basic objective is creation and its revenue objectives are but a means to that end”) (Breyer, J., concurring); Pierre N. Leval, *An Assembly of Idiots?*, 34 CONN. L. REV. 1049, 1052–53 (2002) (“Authors are thus intended beneficiaries of the Anglo-American copyright concept, but they are only the secondary beneficiaries. The prime intended beneficiary is society—the monetary benefit to the author being the mechanism for securing the prime benefit, the spread of knowledge to society.”).

45. The principle that the right of the creator to a limited monopoly may be overridden by the public interest in access is best illustrated by the fair use doctrine, now codified in 17 U.S.C.

One key question that Congress and the courts have wrestled with for more than two centuries is the nature and extent of the appropriate incentive needed to generate this output. There is considerable disagreement regarding the degree of monopoly that is necessary to obtain the optimum (as opposed to the maximum) quantity and quality of these two forms of intellectual property.⁴⁶ In many situations, though certainly not all, it is probable that a greater or longer form of protection will produce more or better inventions and copyrighted works. Thus, for example, one might predict that a doubling of the present term of patent protection, from twenty years⁴⁷ to forty years, would increase firms' incentive to invest in research and development, leading to more patentable inventions.⁴⁸

But there is enormous uncertainty about the validity of these predictions. And even if they proved true, it does not follow that every increase in the duration or scope of protection for intellectual property will maximize consumer welfare.⁴⁹ Indeed, there is substantial evidence that affording too much protection will actually *lessen* incentives for innovation.⁵⁰ Furthermore, even if such an increase in pro-

§ 107 (2000). The doctrine allows others to make certain uses of a copyrighted work, without obtaining permission from the copyright owner or making any payment for that use.

46. Brunell stated:

[I]f the vast economics literature on intellectual property conveys one message, it is that the relationship between intellectual property protection and economic welfare is unclear. Determining the appropriate reward to innovative activity in general, or on a case-by-case basis, is a perilous exercise for which economics has few answers.

See Richard M. Brunell, *Appropriability in Antitrust: How Much is Enough?*, 69 ANTITRUST L.J. 1, 4 (2001).

William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD. 325 (1989) (offering an economic analysis for determining optimal nature, scope, and duration of copyright protection).

47. See 35 U.S.C. § 154(a)(2) (2000) (fixing the term of a patent as twenty years from the date on which the application for the patent was filed in United States).

48. See *Eldred v. Ashcroft*, 537 U.S. 186, 205–07 (2003) (deferring to Congressional judgment that extension of copyright term by an additional twenty years would increase incentives to create and disseminate works). But how the grant of an extended copyright term to works already in existence on the date of the legislative enactment can operate as any incentive to creativity remains a deep mystery.

49. See Ian Ayres & Paul Klemperer, *Limiting Patentees' Market Power Without Reducing Innovation Incentives: The Perverse Benefits of Uncertainty and Non-Injunctive Remedies*, 97 MICH. L. REV. 985 (1999) (arguing that offering incremental benefits to patentees yields only marginally increased incentives for invention, but results in disproportionate welfare losses to consumers).

50. See *White v. Samsung Elec. Am., Inc.*, 989 F.2d 1512, 1513 (9th Cir. 1993) ("Overprotecting intellectual property is as harmful as underprotecting it. . . . Culture, like science and technology, grows by accretion, each new creator building on the works of those who came before. Overprotection stifles the very creative forces it's supposed to nurture.") (Kosinski, J., dissenting from order rejecting suggestion for rehearing en banc); Marina Lao, *Unilateral Refusals to Sell or License Intellectual Property and the Antitrust Duty to Deal*, 9 CORNELL J.L. & PUB.

tection would lead to enhanced innovation, the trade-off in harm to the public that would result from that greater measure of protection has been deemed unacceptable because it would inappropriately increase the degree to which unrestricted public access to those inventions or works would be foreclosed. Not only does a longer term have the obvious effect of extending the duration of the patent or copyright monopoly, but it also extends the period during which others may not make variations, "improvements," or other kinds of derivative works of the original work, thus *decreasing* innovation and product variety in adjacent areas.⁵¹

The specific underlying question raised by *Image Technical* and *Xerox*, then, was what measure of protection must be afforded to the manufacturer of copying machines to stimulate the optimal production of those particular products. The solution I propose, which is consistent with both antitrust and intellectual property doctrines, is that the manufacturer should be allowed to reap its monopoly on the protected product, but should not be allowed to extend that monopoly into other, adjacent markets.⁵² Because these refusals to deal in fact allowed Kodak and Xerox to exclude competition in the service market as an extension of their lawful monopoly in the upstream machine market, the holding in *Xerox* led to a form of over-incentivizing the creation of patentable machines or machine parts. Allowing Xerox to expand its share of the service market, at the expense of otherwise

POL'Y 193, 216 (1999) ("[I]f competition is as much, if not more, of a stimulus for innovation as patent protection, then less intellectual property protection might actually increase, not decrease, innovation. . . . [I]t does not necessarily follow that the broader the *scope* of protection, the higher the rate of innovation.") (internal citations omitted); Melamed & Stoepelwerth, *supra* note 27, at 416 ("[O]verly broad intellectual property rights can retard innovation by, for example, inhibiting the development of improvement patents and derivative copyright works . . .") (footnote omitted).

51. See Michael A. Carrier, *Cabining Intellectual Property Through a Property Paradigm*, 54 DUKE L.J. 1, 46–48 (2004) (identifying "innovation bottlenecks" that result from grants of patent rights).

52. See *Atari Games Corp. v. Nintendo of Am., Inc.*, 897 F.2d 1572, 1576 (Fed. Cir. 1990). In *Atari Games*, the court stated:

[A] patent owner may not take the property right granted by a patent and use it to extend his power in the marketplace improperly, i.e. beyond the limits of what Congress intended to give in the patent laws. The fact that a patent is obtained does not wholly insulate the patent owner from the antitrust laws. . . . When a patent owner uses his patent rights not only as a shield to protect his invention, but as a sword to eviscerate competition unfairly, that owner may be found to have abused the grant and may become liable for antitrust violations when sufficient power in the relevant market is present.

Id.

The antitrust doctrines proscribing the improper extension of the scope of a patent or copyright into an adjacent market are discussed in more detail *infra* Part VI.D.

competitive ISOs, resulted only in net harm to consumers. Therefore, those refusals to deal were properly limited by *Image Technical* because they could not be based on a legitimate concern to protect Kodak's intellectual property, as opposed to a desire to protect or extend its market position in the service market.

V. STATUTES AND CASE LAW UNDER ANTITRUST AND INTELLECTUAL PROPERTY REGIMES

If the result is correct as a matter of public policy, the next question is whether case law—both in the antitrust and the intellectual property areas—supports this result. Here, I recognize that the law is ambiguous. But, because the rule for which I argue does have solid support in the case law, it follows that the policies I have just described commend the result reached by the Ninth Circuit.

A. Antitrust

One of the basic principles of antitrust law is stated in the *Colgate* doctrine.⁵³ Over eighty-five years ago, the Supreme Court held that a firm's unilateral decision as to the entities to which it will or will not sell can never violate § 1 of the Sherman Act.⁵⁴ But this conclusion is quite unremarkable because § 1, which by definition only applies to a "contract, combination . . . or conspiracy, in restraint of trade,"⁵⁵ requires particular behavior by at least two parties.⁵⁶ What is significant, however, is that in the preambulatory language in the key sentence in *Colgate*—"[i]n the absence of any purpose to create or maintain a monopoly"⁵⁷—the Court simultaneously recognized that certain unilateral refusals to deal, while not violating § 1, *could* be a predicate element of a violation of § 2 of the Sherman Act.⁵⁸

53. *United States v. Colgate & Co.*, 250 U.S. 300 (1919).

54. The oft-quoted rule is as follows:

In the absence of any purpose to create or maintain a monopoly, the act does not restrict the long recognized right of trader or manufacturer engaged in an entirely private business, freely to exercise his own independent discretion as to parties with whom he will deal. And, of course, he may announce in advance the circumstances under which he will refuse to sell.

Id. at 307 (emphasis added).

55. 15 U.S.C. § 1 (2000).

56. The question of what behavior by a seller will permit the inference of agreement is one of the thorniest issues of antitrust, and it is far beyond the scope of this Article. See, e.g., *Monsanto Co. v. Spray-Rite Serv. Corp.*, 465 U.S. 752 (1984).

57. See *supra* note 54.

58. *Eastman Kodak Co. v. Image Technical Servs., Inc.*, 504 U.S. 451, 483 n.32 (1992) ("It is true that as a general matter a firm can refuse to deal with its competitors. But such a right is not absolute; it exists only if there are legitimate competitive reasons for the refusal.").

In addition to condemning certain unilateral refusals to deal because they allow a firm to obtain or retain monopoly power, the anti-trust laws may, on occasion, also impose an *affirmative duty* on the offending firm to deal with others because the goods or services that the firm would otherwise choose to withhold are necessary for vigorous competition. One theory that has been proffered to identify those situations in which such a duty to deal exists is the so-called essential facilities doctrine.⁵⁹ Other theories include characterizing the refusal

59. See *Delaware & Hudson Ry. Co. v. Consol. Rail Corp.*, 902 F.2d 174, 179–80 (2d Cir. 1990) (finding that railroad's demand for 800% increase in amount of fee that competitor had to pay for right to use defendant's tracks raised factual questions of denial of essential facility), *cert. denied*, 500 U.S. 928 (1991); *Fishman v. Estate of Wirtz*, 807 F.2d 520, 539–40 (7th Cir. 1986) (holding that under essential facilities doctrine, owner of sports arena would be required to share access to arena with competitor seeking to obtain professional basketball franchise); *Aspen Highlands Skiing Corp. v. Aspen Skiing Co.*, 738 F.2d 1509, 1520–21 (10th Cir. 1984) (imposing duty on operator of three ski areas to continue marketing of multi-day, multi-mountain ski ticket because it was an essential facility for operator of fourth mountain to be able to continue to compete), *aff'd*, 472 U.S. 585 (1985); *MCI Commc'ns Corp. v. AT&T*, 708 F.2d 1081, 1132–33 (7th Cir. 1983) (setting out frequently quoted four-part test for essential facility doctrine and holding that AT&T's refusal to interconnect would-be long-lines competitor with the local distribution facilities of AT&T's Bell operating companies provided predicate for finding of unlawful monopolization), *cert. denied*, 464 U.S. 891 (1983); *Byars v. Bluff City News Co.*, 609 F.2d 843, 854–62 (6th Cir. 1979) (remanding for factual determination of defendant-distributor's market power, motivation, and possible efficiency justifications and for determination of whether its refusal to continue dealing with former customer might be denial of essential facility because plaintiff could not continue in business absent access to goods sold by distributor). One court stated:

[B]ecause the Bell system (with its Operating Companies) possesses a monopoly in the distribution of local telecommunications services, meaningful competition in the provision of intercity services is precluded unless the non-Bell carriers are able to obtain interconnection with the Bell local distribution facilities In the view of the Court, it is clear that the local facilities controlled by Bell are "essential facilities" . . . and . . . defendants are obligated to provide the kind of non-discriminatory access which the cases contemplate.

United States v. AT&T, 524 F. Supp. 1336, 1352–53 (D.D.C. 1981) (internal citations omitted). See also *Intergraph Corp. v. Intel Corp.*, 195 F.3d 1346, 1356–59 (Fed. Cir. 1999) (recognizing essential facility doctrine but declining to apply it where parties were not competitors); *Image Technical Servs., Inc. v. Eastman Kodak Co.*, 125 F.3d 1195, 1209–11 (9th Cir. 1997) (recognizing doctrine but declining to apply it because monopolization was provable under other theories), *cert. denied*, 523 U.S. 1094 (1998); *City of Anaheim v. S. Cal. Edison Co.*, 955 F.2d 1373, 1379–81 (9th Cir. 1992) (recognizing doctrine but declining to apply it because defendant had legitimate business reasons for not dealing with plaintiff); *Hecht v. Pro-Football, Inc.*, 570 F.2d 982, 992–93 (D.C. Cir. 1977) (finding that a restrictive covenant in lease between stadium board and football team would constitute § 1 violation if evidence demonstrated that stadium was essential facility for plaintiff-applicant to obtain franchise in rival football league).

The essential facilities doctrine, or "bottleneck doctrine," traces its heritage to *United States v. Terminal Railroad Association*, 224 U.S. 383 (1912)—a case involving a concerted refusal to deal by a group of railroad companies with control of the only bridges over the Mississippi River in the St. Louis area. The bridges were deemed essential for would-be entrants to be able to compete. The Court held that the defendants had a duty to permit competitors access to these facili-

to deal as predatory or exclusionary,⁶⁰ or describing the refusal as a form of “leveraging,” which involves the use by a firm of its market power in one market as the springboard for attempting to obtain monopoly power in a second market.⁶¹

Admittedly, as discussed below, the essential facilities theory has recently been called into serious question by *Trinko*,⁶² and the lever-

ties on reasonable terms. See generally Phillip Areeda, *Essential Facilities: An Epithet in Need of Limiting Principles*, 58 ANTITRUST L.J. 841 (1990).

60. See, e.g., *Aspen Skiing*, 472 U.S. 585 (condemning refusal by operator of three ski mountains to continue multi-day, multi-mountain ski ticket arrangement with operator of fourth ski area, in light of evidence that defendant had no legitimate business justification for refusal but rather wanted to drive plaintiff out of business); *Lorain Journal Co. v. United States*, 342 U.S. 143 (1951) (finding an unlawful attempt to monopolize where newspaper refused to accept advertising from companies that placed ads on local radio station due to a predatory intent to drive station out of business); *Reazin v. Blue Cross & Blue Shield of Kan., Inc.*, 899 F.2d 951, 973 (10th Cir. 1990) (finding willful maintenance of monopoly power where healthcare financing organization threatened to terminate hospital's contracting provider agreement with intent to coerce other hospitals into not doing business with defendant's competitors), *cert. denied*, 497 U.S. 1005 (1990); *Gen. Indus. Corp. v. Hartz Mountain Corp.*, 810 F.2d 795, 801–04 (8th Cir. 1987) (supporting a finding of unlawful attempt to monopolize and labeling conduct as predatory and exclusionary where manufacturer changed credit terms and terminated plaintiff-distributor because it was carrying products of competing manufacturers); *Six Twenty-Nine Prods., Inc. v. Rollins Telecasting, Inc.*, 365 F.2d 478, 481–83 (5th Cir. 1966) (finding a § 2 claim where the only television station in market refused to accept commercials submitted by the plaintiff advertising agency with intent to drive the plaintiff out of business and possibly to extend its broadcasting monopoly to advertising market). See also *High Tech. Careers v. San Jose Mercury News*, 996 F.2d 987 (9th Cir. 1993) (finding a newspaper's refusal to continue to carry plaintiff's advertising inserts for job fairs organized by plaintiff would constitute unlawful monopolization unless justified by legitimate business reasons).

61. See, e.g., *Eastman Kodak Co. v. Image Technical Servs., Inc.*, 504 U.S. 451, 480–86 (1992) (allegations that manufacturer of copying equipment refused to sell replacement parts to independent servicing organizations, which were engaged in repair of that equipment, thereby allowing manufacturer to strengthen its monopoly position in market for repair of its equipment, stated claim of unlawful monopolization or attempt to monopolize); *supra* notes 7–18 (discussing *Eastman Kodak* after remand); see also *Otter Tail Power Co. v. United States*, 410 U.S. 366 (1973) (finding that utility's refusal to sell electricity at wholesale to municipalities or to transmit (“wheel”) electricity over utility's high transmission lines—an attempt to regain monopolies for retail sale of electricity—violated § 2; approving district court's order, requiring utility to sell, or wheel, electricity); *Eastman Kodak Co. v. S. Photo Materials Co.*, 273 U.S. 359 (1927) (finding a § 2 violation where defendant-manufacturer refused to continue selling supplies to plaintiff-retailer after plaintiff had rejected defendant's offer to buy its business and defendant had intent to extend its monopoly into retail market as shown by evidence). Cf. *United States v. Griffith*, 334 U.S. 100, 107–08 (1948) (holding that movie exhibitor's block booking, by obtaining exclusive first-run clearances for its entire circuit, constituted unlawful use of market power in “closed” towns to obtain monopoly power in “competitive” towns: “When the buying power of the entire circuit is used to negotiate films for his competitive as well as his closed towns, he is using monopoly power to expand his empire”).

62. *Verizon Commc'ns, Inc. v. Law Offices of Curtis V. Trinko, L.L.P.*, 540 U.S. 398, 410–11 (2004) (discussed *infra* notes 129–34 and accompanying text). Cf. *HOVENKAMP ET AL.*, *supra* note 26, § 13.3c2 (suggesting that, with certain narrow limitations, “[w]here an essential facilities claim is premised solely on ownership of an intellectual property right (the ‘essential’ facility) by

aging theory has been challenged by the Chicago School as economically unrealistic.⁶³ Additionally, it may sometimes be difficult to identify those refusals to deal that are predatory, exclusionary, or involve unlawful attempts to leverage market power. Nonetheless, there is both extensive case law⁶⁴ and extensive support in the antitrust literature,⁶⁵ under all these theories, for condemning certain instances of refusals to deal and then for requiring the firm to deal with competitors, customers, or suppliers, and for imposing monetary damages incurred as a result of that refusal to deal. In short, antitrust law clearly recognizes that on occasion, consumer welfare will be advanced by denying a firm the unbridled discretion to refuse to deal with others.

I want to be clear that, just as the owner of an *unpatented* product normally is under no duty to deal with others, I do not suggest that there is a generalized duty on the part of all owners of patents or copyrights to license their intellectual property to their competitors. As in any other situation, for a duty to deal to exist, a court would have to find all the elements of an antitrust violation, based either on a monopolization or an attempt to monopolize theory.⁶⁶ But the key point is the fact that the property being withheld from competitors is a

a vertically integrated monopolist . . . we believe the purposes of antitrust law are best served by denying such a claim outright").

63. See, e.g., ROBERT H. BORK, *THE ANTITRUST PARADOX: A POLICY AT WAR WITH ITSELF* (1978); Ward S. Bowman, Jr., *Tying Arrangements and the Leverage Problem*, 67 YALE L.J. 19 (1957). But see Warren S. Grimes, *Antitrust and the Systematic Bias Against Small Business: Kodak, Strategic Conduct, and Leverage Theory*, 52 CASE W. RES. L. REV. 231, 253-61 (2001) (identifying crucial flaws in Bowman's critique); Louis Kaplow, *Extension of Monopoly Power Through Leverage*, 85 COLUM. L. REV. 515 (1985) (explaining why leverage theory retains vitality and how use of leverage may have serious anticompetitive effects).

64. In addition to cases cited *supra* notes 59-61, see *Bellsouth Adver. & Publ'g Corp. v. Donnelley Info. Publ'g, Inc.*, 719 F. Supp. 1551, 1566 (S.D. Fla. 1988) (holding that whether copyrighted telephone directory constituted essential facility, thereby requiring publisher of directory to share contents with would-be competitor, raised material issues of fact, precluding summary judgment), *rev'd on other grounds*, 999 F.2d 1436, 1439 n.5 (11th Cir. 1993).

65. See, e.g., Jonathan B. Baker, *Promoting Innovation Competition Through the Aspen/Kodak Rule*, 7 GEO. MASON L. REV. 495 (1999) (endorsing a rule for certain industries dominated by a single firm, that proscribes exclusionary conduct by a firm that exploits complementary or collaborative relationship, in absence of satisfactory business justification); Kaplow, *supra* note 63, at 516 (presenting "factors indicating that leverage, even when understood as extension of monopoly power, is possible in practice"); Robert Pitofsky et al., *The Essential Facilities Doctrine Under U.S. Antitrust Law*, 70 ANTITRUST L.J. 443, 452-58 (2002) (approving extension of essential facilities doctrine to certain refusals to provide access to intellectual property).

66. See *Rural Tel. Serv. Co. v. Feist Publ'ns, Inc.*, 957 F.2d 765, 768 (10th Cir. 1992) (stating that "[a] refusal to deal may be one of the mechanisms by which a monopolist maintains its power," but concluding that copyright owner's refusal to grant license to its competitor was not unlawful, because refusal did not have anticompetitive effect), *cert. denied*, 506 U.S. 984 (1992). Cf. *PSI Repair Servs., Inc. v. Honeywell, Inc.*, 104 F.3d 811, 821-22 (6th Cir. 1997) (manufacturer of industrial control equipment did not engage in unlawful monopolization by its refusal to sell

patent or copyright should not remove the refusal to deal from the same kind of antitrust scrutiny. Rather, regardless of whether the product being withheld is the subject of intellectual property protection, there is sound authority for the proposition that, in appropriate cases, a refusal to deal can satisfy the conduct component of the plaintiff's § 2 claim, giving rise to a duty to deal.

In both *Image Technical* and *Xerox*, the particular refusals to deal by these defendants supported a finding of a § 2 violation.⁶⁷ Because the right to exclude granted by a patent or copyright confers at least a limited form of monopoly—although the subject of that monopoly may fall short of a “relevant market” for other purposes—the owner of a patent or copyright often will enjoy significant market power.⁶⁸ If access to that intellectual property is necessary for others to be able to compete for customers in that market, and if alternative technologies are not adequate substitutes, in certain circumstances a court might properly conclude that the refusal to deal in that property is unlawful, to the *same* extent that it would reach that conclusion for a refusal to deal in *unpatented* or *uncopyrighted* products. Therefore, my contention is that the mere fact that the product being withheld is intellectual property should not automatically immunize the defendant from possible antitrust liability,⁶⁹ nor should it preclude an order requiring the defendant to deal with its competitors with respect to that intellectual property.⁷⁰ Indeed, the guidelines issued by the federal antitrust enforcement agencies indicate a general policy of denying different treatment to intellectual property than is given to other forms of prop-

unpatented circuit boards to plaintiff repair service company where relevant market was primary equipment market, not service market, and defendant lacked market power in that market).

67. For example, in *Image Technical*, the court of appeals stated that “[i]n the service market, Kodak repairs at least 80% of the machines it manufactures.” 125 F.3d 1195, 1200–01 (9th Cir. 1997). Indeed, the Supreme Court found that “Kodak provides 80% to 95% of the service for Kodak machines.” 504 U.S. 451, 457 (1992). Kodak and its authorized suppliers accounted for 100% of the parts used in the repair of those machines. *Id.* at 481. The Supreme Court found that the plaintiffs presented a “triable claim” in alleging that Kodak replacement parts and the repair of Kodak machines properly constituted separate, relevant markets. *Id.* These very high market shares almost certainly would confer monopoly power; therefore, a finding of an unjustified refusal to deal would support a conclusion of unlawful monopoly maintenance.

68. See *infra* note 121 and accompanying text (describing presumption of market power given to ownership of intellectual property in tying arrangement cases).

69. See *United States v. Line Material Co.*, 333 U.S. 287, 308 (1948) (“It is equally well settled that the possession of a valid patent or patents does not give the patentee any exemption from the provisions of the Sherman Act beyond the limits of the patent monopoly.”). Accord *United States v. New Wrinkle, Inc.*, 342 U.S. 371, 378 (1952).

70. Cf. *Associated Press v. United States*, 326 U.S. 1 (1945) (finding that bylaws of membership organization of major daily newspapers that restricted admission of other newspapers into organization violated Sherman § 1 and requiring change in bylaws and sharing of copyrighted news articles with competitors on reasonable terms).

erty when evaluating the legality of the behavior under scrutiny.⁷¹ Therefore, it follows that the antitrust laws may properly be used to proscribe the use of intellectual property as a means of obtaining market power in an area outside the scope of the patent or copyright monopoly.⁷²

B. Patent and Copyright

Yet, these antitrust principles assertedly come into conflict with rules under the patent and copyright laws. In contrast to the antitrust rules just described, the default principles of the intellectual property regime give significant discretion to patent and copyright owners. The copyright laws specifically afford a number of exclusive rights to the copyright owner. Title to the copyright vests initially in the author of the work.⁷³ He or she (or it) has the “exclusive rights to do and to authorize” a variety of acts, including making copies of the work and then distributing those copies by sale, lease, or gift.⁷⁴ These rights may be divided temporally, geographically, or in other ways, and they can be transferred in whole or in part to others through sale, license, gift, or bequest.⁷⁵ Finally, the copyright owner can decide to do none of these, instead keeping the work private and not making or distributing any copies.⁷⁶

71. The guidelines state as follows:

The Agencies apply the same general antitrust principles to conduct involving intellectual property that they apply to conduct involving any other form of tangible or intangible property. . . . Intellectual property has important characteristics . . . that distinguish it from many other forms of property. These characteristics can be taken into account by standard antitrust analysis, however, and do not require the application of fundamentally different principles.

U.S. DEP'T OF JUSTICE & FTC, ANTITRUST GUIDELINES FOR THE LICENSING OF INTELLECTUAL PROPERTY § 2.1 (1995) (internal citations omitted).

See generally Daniel J. Gifford, *Antitrust's Troubled Relations with Intellectual Property*, 87 MINN. L. REV. 1695, 1710–11, 1718 (2003) (indicating that Congress has generally sought to have courts “treat intellectual property in the same way that they treat any [other form of] property”); Willard K. Tom & Joshua A. Newberg, *Antitrust and Intellectual Property: From Separate Spheres to Unified Field*, 66 ANTITRUST L.J. 167, 228 (1997) (“The Guidelines reflect a movement from the ‘separate spheres’ model . . . to a model positing that intellectual property is essentially similar to other forms of property.”).

72. *Image Technical Servs., Inc. v. Eastman Kodak Co.*, 125 F.3d 1195, 1216 (9th Cir. 1997) (“[A] monopolist who acquires a dominant position in one market through patents and copyrights may violate § 2 if the monopolist exploits that dominant position to enhance a monopoly in another market.”), *cert. denied*, 523 U.S. 1094 (1998).

73. 17 U.S.C. § 201(a) (2000).

74. *Id.* § 106.

75. *Id.* § 201(d).

76. See *Stewart v. Abend*, 495 U.S. 207, 228–29 (1990) (“[N]othing in the copyright statutes would prevent an author from hoarding all of his works during the term of the copyright.”); *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932) (“The owner of the copyright, if he pleases, may

The patent laws do not provide a comparable enumeration of rights. Rather, the patent laws give the patentee "the right to *exclude* others from making, using, offering for sale, or selling the invention"⁷⁷ The right to make, use, and sell a product or process is inherent in its creation and ownership; it is a natural right of everybody, but is given exclusively to the patent owner for a limited period of time.⁷⁸ And as with the copyright, the patent owner has the right to suppress, rather than to exploit, its patent.⁷⁹

VI. HARMONIZING ANTITRUST AND INTELLECTUAL PROPERTY VALUES

How can these apparently conflicting principles—the occasional duty to deal imposed by the antitrust laws and the bundle of exclusive rights given by the patent and copyright laws—be reconciled? Why do I argue for recognizing a duty of the owner of intellectual property, in appropriate circumstances, to sell the protected property, license its technology to others, share its copyrighted materials, and the like? As already noted, this conclusion is supported by public policy analysis, the applicable statutes, and interpretive case law. In this Part, I further consider the policy and case law of both regimes, to harmonize any apparent conflicts.

A. *General Limitations on Intellectual Property Rights*

The basis for imposing this occasional duty is that both the patent and the copyright laws recognize that there are important limitations on the rights of the owners of that intellectual property. An appreciation of this principle will foster the harmonization of the apparent conflict between the antitrust and intellectual property regimes rather than a subordination of one of them to the other.⁸⁰

refrain from vending or licensing and content himself with simply exercising the right to exclude others from using his property.").

77. 35 U.S.C. § 154(a)(1) (2000) (emphasis added).

78. The court in *Bauer & Cie v. O'Donnell* explained:

The right to make, use and sell an invented article is not derived from the patent law. This right existed before and without the passage of the law and was always the right of an inventor. The act secured to the inventor the *exclusive* right to make, use and vend the thing patented, and consequently to prevent others from exercising like privileges without the consent of the patentee.

Bauer & Cie v. O'Donnell, 229 U.S. 1, 10 (1913).

79. *Cont'l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405 (1908).

80. There is no basis for the suggestion that the patent and copyright laws carve out some "exception" from the normal operation of antitrust rules. To the contrary, the Supreme Court has asserted on multiple occasions: "[E]xemptions from the antitrust laws are strictly construed and strongly disfavored." *Square D Co. v. Niagara Frontier Tariff Bureau, Inc.*, 476 U.S. 409,

As one example of the limits on the rights of intellectual property owners, both regimes contain a "first sale" doctrine. Although there is typically no imperative to sell the protected product,⁸¹ the lawful owner of a lawfully made copy of a patented or copyrighted product has the right to resell, otherwise transfer, or even to destroy that copy without obtaining permission from the author or inventor.⁸² As another example, both regimes also impose compulsory licenses on the owners of their intellectual property, requiring them to deal with specified individuals under specified conditions. Thus, the copyright laws set forth a variety of situations in which a compulsory license will be imposed on the copyright owner,⁸³ and a handful of statutes also provide for the possibility of compulsory licensing of patents with respect to specific categories of inventions.⁸⁴ In addition, on several occasions, courts have upheld compulsory licensing as a remedy for violations of the antitrust laws.⁸⁵

421 (1986). *Accord* *Otter Tail Power Co. v. United States*, 410 U.S. 366, 372 (1973); *United States v. Philadelphia Nat'l Bank*, 374 U.S. 321, 350–51 (1963) (citing multiple cases).

81. See *supra* notes 76, 79 and accompanying text.

82. See 17 U.S.C. § 109(a) (2000) ("[T]he owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord."). A modest limitation on this right of the owner of a copy of a work is found in the Visual Artists Rights Act of 1990, Pub. L. No. 101-650, 104 Stat. 5128 (codified at 17 U.S.C. § 106A). This statute gives the author of a work of visual art some limited rights "to prevent any intentional distortion, mutilation, or other modification of that work . . ." 17 U.S.C. § 106A(a)(3).

Under the patent laws, the first-sale (or exhaustion) doctrine establishes that "an authorized sale of a patented product places that product beyond the reach of the patent. . . . The patent owner's rights with respect to the product end with its sale, . . . and a purchaser of such a product may use or resell the product free of the patent . . ." *Intel Corp. v. ULSI Sys. Tech., Inc.*, 995 F.2d 1566, 1568 (Fed. Cir. 1993) (internal citations omitted), *cert. denied*, 510 U.S. 1092 (1994).

83. See 17 U.S.C. § 111 (secondary transmissions by cable television systems); *id.* § 112(e) (backup phonorecord of certain sound recordings); *id.* § 114 (d)–(j) (performance rights for digital audio transmissions); *id.* § 115 (nondramatic musical works embodied in phonorecords); *id.* § 118 (noncommercial broadcasting); *id.* § 119 ("secondary transmissions by satellite carriers"); 17 U.S.C. § 122 (same).

84. See 42 U.S.C. § 2183 (2000) (authorizing Atomic Energy Commission to "declare any patent to be affected with the public interest if (1) the invention or discovery covered by the patent is of primary importance in the production or utilization of special nuclear material or atomic energy" and to require licensing of that invention); *id.* § 7608 (authorizing the Attorney General, upon making a determination that access to a patent is necessary to permit compliance with air pollution and emission standards, to petition a district court to "issue an order requiring the person who owns such patent to license it . . .").

85. See, e.g., *United States v. Glaxo Group Ltd.* 410 U.S. 52 (1973), discussed *infra* notes 125–28 and accompanying text. Cf. Constance E. Bagley & Gavin Clarkson, *Adverse Possession for Intellectual Property: Adapting an Ancient Concept to Resolve Conflicts Between Antitrust and Intellectual Property Laws in the Information Age*, 16 HARV. J.L. & TECH. 327, 392 (2003) (noting that: "[I]ntellectual property owners should be rightfully entitled to claim the full scope of their property grant . . ."). The authors qualified their premise "by introducing a concept of

B. Other Limits on Patent and Copyright Grants

Another limitation on the owner of intellectual property, which is important for my argument here, begins with the basic and longstanding rule that the rights granted by a patent or copyright obviously have boundaries—there are significant and defined limits on these grants of power.⁸⁶ In particular, ownership of a patent or copyright does not give to the owner the right to extend the federally protected monopoly into adjacent markets.⁸⁷ This means that despite the *Xerox* court's assumptions, the owner of these rights does *not* have the unbridled power to make profits by whatever means it chooses, such as by controlling sales of products or services in whatever other markets the patented product or copyrighted work may be used, and by asserting the unbounded right to withhold access to its property. Rather, the implicit understanding is that the rewards from exploiting only the patent or copyright itself are sufficient incentive to stimulate innovation and creativity.

The D.C. Circuit recently restated this fundamental proposition in the *Microsoft* case: "Intellectual property rights do not confer a privilege to violate the antitrust laws."⁸⁸ Indeed, the attempt to extend the patent or copyright beyond the statutorily conferred right may constitute "abuse," subjecting the party engaged in that behavior to a variety of remedies—ranging from the inability to enforce the copyright or patent against alleged infringers, to mandated licensing of the intellectual property right to others.

adverse possession for intellectual property as a restriction on certain activities that would otherwise be within the scope of the intellectual property grant." *Id.*

86. See *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 221 (1980) ("The policy of free competition runs deep in our law[.] It underlies both the doctrine of patent misuse and the general principle that the boundary of a patent monopoly is to be limited by the literal scope of the patent claims."); *Zenith Radio Corp. v. Hazeltine Res., Inc.*, 395 U.S. 100, 136 (1969) ("[T]here are established limits which the patentee must not exceed in employing the leverage of his patent . . .").

87. See, e.g., *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961) (finding that plaintiff's patent on convertible folding top for automobiles was not infringed by replacement of worn top by new top manufactured by defendant; replacement of fabric constituted permissible, noninfringing "repair," rather than infringing "reconstruction").

88. *United States v. Microsoft Corp.*, 253 F.3d 34, 63 (D.C. Cir. 2001) (quoting *In re Indep. Serv. Orgs. Antitrust Litig.*, 203 F.3d 1322, 1325 (Fed. Cir. 2000)). Microsoft had claimed "an absolute and unfettered right to use its intellectual property as it wishes: '[I]f intellectual property rights have been lawfully acquired,' it says, then 'their subsequent exercise cannot give rise to antitrust liability.'" *Id.* The court of appeals' response to this argument was to characterize it as "border[ing] upon the frivolous. . . . That is no more correct than the proposition that use of one's personal property, such as a baseball bat, cannot give rise to tort liability." *Id.*

C. Patent and Copyright Misuse

The scope of the patent and copyright “misuse” doctrine is imprecise and shifting. Neither the patent nor the copyright statutes have explicit provisions defining misuse,⁸⁹ much less any that set forth the consequences of that behavior. But case law under both regimes identifies various kinds of behavior—most frequently, but not exclusively, that of an anticompetitive nature—that will divest the patent or copyright holder of the rights otherwise conferred by law.

As discussed in more detail below,⁹⁰ one aspect of public policy applicable to intellectual property is the condemnation of attempts by the owner of that property to extend its statutory monopoly outside the scope of the grant. Therefore, it is not unreasonable to conclude that when the owner of a patent on a product, or of a copyright used in the servicing of that product, attempts to refuse to deal with competitors in order to extend its monopoly into the otherwise competitive service market for its product, the owner is engaged in behavior that is violative of public policy, and thus is engaged in patent or copyright misuse.

At its most basic level, the patent misuse doctrine will preclude the patent holder, which has engaged in unlawful behavior, from enforcing its patent against infringers.⁹¹ For example, in *Morton Salt Co. v. G. S. Suppiger*,⁹² the plaintiff owned patents on machines used in the injection of salt in canned foods. In a fact pattern evocative of the later *International Salt* case,⁹³ Morton insisted that lessees of its machines use exclusively its unpatented salt tablets. The defendant manufactured and sold unpatented machines, which allegedly infringed the plaintiff’s patents. Applying principles of equity—that a court will not lend its assistance to a party with unclean hands—the Supreme Court held that because the plaintiff’s conduct violated the antitrust

89. The patent statute contains a provision, found in 35 U.S.C. § 271(d) (2000), specifying certain kinds of conduct which do *not* constitute misuse. This provision is discussed *infra* notes 102–10 and accompanying text.

90. See *infra* notes 118–123 and accompanying text.

91. See *United States Gypsum Co. v. Nat’l Gypsum Co.*, 352 U.S. 457, 465 (1957) (“It is now, of course, familiar law that the courts will not aid a patent owner who has misused his patents to recover any of their emoluments accruing during the period of misuse or thereafter until the effects of such use have been dissipated”); DONALD S. CHISUM, *CHISUM ON PATENTS* § 19.04 (2005) (“A patent owner may exploit a patent in an improper manner by violating the antitrust laws or extending the patent beyond its lawful scope. If such misuse is found, the courts will withhold any remedy for infringement or breach of a license agreement”).

92. 314 U.S. 488 (1942).

93. *Int’l Salt Co. v. United States*, 332 U.S. 392 (1947); see *infra* note 119 and accompanying text.

laws, relief against the alleged infringement was unavailable.⁹⁴ Because the plaintiff had attempted to use its patent monopoly to limit competition in a market outside the scope of the patent grant, the Court upheld the remedy of the unenforceability of the patent, even in an area that was within the statutory grant.⁹⁵

In a more recent decision, *Zenith Radio Corp. v. Hazeltine Research, Inc.*,⁹⁶ defendant Hazeltine Research (HRI), the patent owner, had insisted on licensing, only as part of a package, patents that were needed by Zenith in the manufacture of radios and televisions. The fees were calculated as a percentage of Zenith's total sales, without regard to Zenith's use of particular patents. The district court had found that HRI's conduct constituted patent misconduct, and this finding formed the predicate of an antitrust violation. The treble damages award to Zenith was affirmed by the court of appeals, and the decision to grant treble damages was not reviewed by the Supreme Court.⁹⁷ But in reviewing the decision on the patent misconduct and the antitrust violation, the Court explicitly found that HRI's conduct constituted patent misuse,⁹⁸ potentially supporting both the unenforceability of the patents and the entry of injunctive relief.⁹⁹ Other cases have found a wide variety of other forms of conduct constitute patent "misuse."¹⁰⁰

94. The *Morton Salt* Court concluded:

It is unnecessary to decide whether respondent has violated the Clayton Act, for we conclude that in any event the maintenance of the present suit to restrain petitioner's manufacture or sale of the alleged infringing machines is contrary to public policy and that the district court rightly dismissed the complaint for want of equity.

Morton Salt, 314 U.S. at 494.

95. The Court explained:

A patent operates to create and grant to the patentee an exclusive right to make, use and vend the particular device described and claimed in the patent. But a patent affords no immunity for a monopoly not within the grant . . . and the use of it to suppress competition in the sale of an unpatented article may deprive the patentee of the aid of a court of equity to restrain an alleged infringement by one who is a competitor.

Id. at 491 (internal citations omitted).

96. 395 U.S. 100 (1969).

97. *Id.* at 133.

98. *Id.* at 135 ("We hold that conditioning the grant of a patent license upon payment of royalties on products which do not use the teaching of the patent does amount to patent misuse."); see also *id.* at 139 ("We also think patent misuse inheres in a patentee's insistence on a percentage-of-sales royalty, regardless of use, and his rejection of licensee proposals to pay only for actual use.").

99. The injunction would have barred HRI from conditioning the licensing of its patent on Zenith's obtaining a license for other patents. *Id.* at 133-34.

100. See *Senza-Gel Corp. v. Seiffhart*, 803 F.2d 661 (Fed. Cir. 1986) (finding patent misuse in a patent holder's policy of tying the right to use a patented process to the leasing of a machine to carry out that process); *Beckman Instruments, Inc. v. Technical Dev. Corp.*, 433 F.2d 55 (7th Cir. 1970) (remanding for a determination on the factual question of misuse where the calculation of

Subsequent to those earlier cases, the patent misuse doctrine has been subject to limitation both in the courts¹⁰¹ and as a result of statutory amendments. The original exemptive provisions, found in the Patent Act of 1952,¹⁰² identified three forms of conduct that would *not* be considered misuse.¹⁰³ None of these three forms of conduct, however, has any relevance to the refusal by a patent owner to sell its patented product.¹⁰⁴

royalties under a licensing agreement of apparatus applied regardless of whether apparatus was covered by any sublicensed patent rights). See also CHISUM, *supra* note 91, § 19.04[3] (identifying a great variety of acts which have been held to be patent misuse).

101. See, e.g., *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 703–09 (Fed. Cir. 1992); *Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1001–02 (Fed. Cir. 1986), *cert. denied*, 477 U.S. 905 (1986); *USM Corp. v. SPS Techs., Inc.*, 694 F.2d 505, 510–14 (7th Cir. 1982), *cert. denied*, 462 U.S. 1107 (1983). See also Mark A. Lemley, Comment, *The Economic Irrationality of the Patent Misuse Doctrine*, 78 CAL. L. REV. 1599, 1599 (1990) (concluding “that the patent misuse doctrine ought to be abolished, and that the antitrust laws can serve the same purposes that the patent misuse doctrine was designed to serve”).

102. Pub. L. No. 82-593, 66 Stat. 792, 811 (1952).

103. 35 U.S.C. § 271(d) (2000) states:

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

Id.

104. In a series of cases culminating with *Mercoird Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661 (1944), the Supreme Court had limited and ultimately cast serious doubt on the right of a patent owner to bring an action under a contributory infringement theory when the patent owner sought to use its patent to control the market for a non-patented product. As a partial overruling of those cases, the main portion of § 271 provides both that “[w]hoever actively induces infringement of a patent shall be liable as an infringer,” 35 U.S.C. § 271(b), and that certain specified conduct shall make a person “liable as a contributory infringer.” *Id.* § 271(c).

The purpose of § 271(d) was to make it clear that persons exercising certain rights conferred on them by the patent statutes, including the right to bring suit against either a direct or contributory infringer, were engaged in lawful behavior. As indicated by the legislative history of § 271, “[t]he last paragraph of this section [§271(d)] provides that one who merely does what he is authorized to do by statute is not guilty of misuse of the patent.” S. REP. NO. 82-1979, at 8 (1952). *Accord* H.R. REP. NO. 82-1923, at 28 (1952).

See *Rohm & Hass Co. v. Dawson Chem. Co.*, 599 F.2d 685, 688 (5th Cir. 1979) (“§ 271(d) reverses the *Mercoird* misuse doctrine”), *aff'd*, *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 201, 213 (1980) (containing extensive analysis of legislative history of § 271 and stating “the provisions of § 271(d) effectively confer upon the patentee, as a lawful adjunct of his patent rights, a limited power to exclude others from competition in nonstaple goods”). See also, *Dawson Chemical*, 448 U.S. at 213 (“[B]y enacting §§ 271(c) and (d), Congress granted to patent holders a statutory right to control nonstaple goods that are capable only of infringing use in a patented invention, and that are essential to that invention’s advance over prior art.”); *Stearns v. Tinker & Rasor*, 252 F.2d 589, 600–02 (9th Cir. 1958) (noting that § 271 was enacted in response to *Mercoird*).

One author has written:

In 1988, as part of the Patent and Trademark Office Authorization Act, this statute was amended to identify two additional forms of behavior that would *not* be treated as patent misuse.¹⁰⁵ These two instances were "refus[ing] to license or use any rights to the patent,"¹⁰⁶ and

condition[ing] the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.¹⁰⁷

But even these more recently added provisions are not inconsistent with my assertion that certain refusals by the patent owner to sell products manufactured under the patent may constitute patent misuse and may also form the basis for antitrust liability. First of all, by their express language, these provisions, which refer to a refusal to *license* patent rights, do *not* extend to refusals to *sell* a product that was manufactured pursuant to or that incorporates the patent. To the contrary, this provision is silent on the legality of the refusal to sell patented products as part of an attempt to extend the patent owner's monopoly into an unprotected market. Second, the legislative history of these provisions makes clear that they were not designed as broad exemptions from the antitrust laws, defining specific forms of conduct that allegedly did not have anticompetitive effects.¹⁰⁸ Rather, they were intended only to address the significance, in patent infringement actions, of refusals to license and the perceived problematic judicial condemnation, under a *per se* approach, of tying arrangements involv-

[M]isuse is not ruled out entirely [by § 271]. That would have been unsound. It has a proper place in the law Only appropriate exceptions have been made to it, not to revive every type of "contributory infringement" against which the courts have from time to time seen fit to grant recovery, but only those types which it was felt are in accord with the fundamental idea of protecting patentees in what they have actually invented

See generally Giles S. Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 35 J. PATENT OFF. SOC'Y 476, 490-91 (1953).

105. Patent Misuse Reform Act of 1988, Pub. L. No. 100-703, Title II, § 201, 102 Stat. 4676 (1988). See generally Richard Calkins, *Patent Law: The Impact of the 1988 Patent Misuse Reform Act and Noerr-Pennington Doctrine on Misuse Defenses and Antitrust Counterclaims*, 38 DRAKE L. REV. 175 (1988-1989).

106. 35 U.S.C. § 271(d)(4) (2000).

107. *Id.* § 271(d)(5).

108. See Lao, *supra* note 50, at 206-09; see *id.* at 209 (asserting that language in Patent Reform Act "demonstrates that Congress intended to confine the application of the amendments to patent cases, without affecting antitrust rules").

ing patented products.¹⁰⁹ Third, the patent misuse doctrine not only reflects the competition policies advanced by the antitrust laws, but on occasion the doctrine may even go beyond them. As has been noted, “the patentee’s act may constitute patent misuse without rising to the level of an antitrust violation.”¹¹⁰ Thus, the proposition that certain conduct—including such refusals to deal—constitutes “patent misuse,” and that such conduct will result in an abridgement of the rights otherwise afforded to the patent owner, retains vitality. And because a finding of patent misuse will render the patent unenforceable against an infringer, it also follows that if the other elements of an antitrust violation are proven, the owner of a patent who has engaged in such misuse should have the same duty to sell its product to others as would the owner of an unpatented product.

109. The Senate version of the bill that was ultimately enacted would have been considerably broader. It would have provided that:

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

S. REP. NO. 100-492, at 17-18 (1988) (emphasis added).

The House version of the bill, H.R. 4972, 100th Cong. (1988), contained the language in the enacted version, and the Senate acceded to that version. See 134 CONG. REC. 32,470 (1988).

In the floor debates on the day the Senate passed the bill, Senator DeConcini, one of the bill’s sponsors, stated that “[w]hile I support the bill before us, I emphasize, Mr. President, that it deals only with a small piece of the patent misuse problem—tying arrangements—and leaves the rest for us to address in the future.” *Id.* at 32,471 (statement of Sen. DeConcini). Another of the bill’s sponsors, Senator Leahy, made similar observations:

This legislation differs from previous proposals in two important respects: First, the patent misuse doctrine is no longer reformed across the board, but only as it relates to refusals to license or use patents, and to tying arrangements. Second, as the misuse doctrine is applied to tying, the generic antitrust violation standard adopted by the Senate has been replaced by a market power test.

Id. (statement of Sen. Leahy).

Despite Senator DeConcini’s prediction, there have been no further amendments to the statute.

See also *Image Technical Servs., Inc. v. Eastman Kodak Co.*, 125 F.3d 1195, 1214 n.7 (9th Cir. 1997) (rejecting the argument that this amendment heralded the prohibition of all antitrust claims premised on “refusal to license a patent” and asserting that various commentators recognize that the statute “merely codified existing law”), *cert. denied*, 523 U.S. 1094 (1998).

110. *Senza-Gel Corp. v. Seiffhart*, 803 F.2d 661, 668 (Fed. Cir. 1986) (citing *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 140 (1969)). *Accord In re Indep. Serv. Orgs. Antitrust Litig.*, 964 F. Supp. 1454, 1458-59 (D. Kan. 1997). See also Robin C. Feldman, *The Insufficiency of Antitrust Analysis for Patent Misuse*, 55 HASTINGS L.J. 399 (2003) (criticizing recent Federal Circuit decisions, see *supra* note 101, limiting the scope of the patent misuse doctrine and arguing that restricting misuse to conduct which violates the antitrust laws is inconsistent with the policies underlying the patent regime); Note, *Is the Patent Misuse Doctrine Obsolete?*, 110 HARV. L. REV. 1922, 1922 (1997) (“Even after *Mallinckrodt* [Inc. v. Medipart, Inc., 976 F.2d 700 (Fed. Cir. 1992)], patent misuse still retains unique doctrinal features This difference gives the misuse defense a larger scope than the antitrust laws”).

Although the *copyright* misuse doctrine was embraced by the courts far more recently than the *patent* misuse doctrine, a number of recent decisions have held that certain kinds of conduct exploiting the rights conferred by a copyright—particularly when the copyright owner's goal in undertaking that conduct is to limit or injure competition—will also constitute misuse.¹¹¹ This doctrine similarly grows out of the principle of “unclean hands”—a court of equity will not lend its support to the owner of a copyright, even against a recognized infringer, if the plaintiff's conduct is inequitable.¹¹² In what was probably the first court of appeals decision expressly to recognize this doctrine,¹¹³ in 1990 the Fourth Circuit held the unclean hands doctrine applicable not only when the copyright owner attempted to use the copyright to violate the antitrust laws, but also when the “copyright is being used in a manner violative of the public policy embodied in the grant of a copyright.”¹¹⁴

111. See, e.g., *Video Pipeline, Inc. v. Buena Vista Home Enter., Inc.*, 342 F.3d 191, 203–06 (3d Cir. 2003); see *id.* at 206 (“[E]xtend[ing] the patent misuse doctrine to copyright, and recogniz[ing] that it might operate beyond its traditional anti-competition context,” but holding it inapplicable to the plaintiff's behavior), *cert. denied*, 540 U.S. 1178 (2004); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1026 (9th Cir. 2001) (noting that “misuse defense prevents copyright holders from leveraging their limited monopoly to allow them control of areas outside the monopoly”); *id.* at 1027 n.8 (observing “that a unilateral refusal to license a copyright may constitute wrongful exclusionary conduct giving rise to a claim of misuse,” but concluding that plaintiff's conduct did not constitute misuse); *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 792–95 (5th Cir. 1999), discussed *infra* notes 115–16 and accompanying text; see also *Practice Mgmt. Info. Corp. v. Am. Med. Ass'n*, 121 F.3d 516, 520–21 (9th Cir. 1997) (“Conditioning the license [of its code] on [licensee's] promise not to use competitors' products constituted a misuse of the copyright,” thus precluding its enforcement during period of misuse), *cert. denied*, 522 U.S. 933 (1997); *DSC Commc'ns Corp. v. DGI Techs., Inc.*, 81 F.3d 597, 601–02 (5th Cir. 1996) (concluding that district court did not abuse its discretion in finding that a copyright owner did not have substantial likelihood of success on merits because its attempt to use its copyright on software to extend that monopoly over unpatented microprocessor cards would constitute copyright misuse); *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 972–79 (4th Cir. 1990), discussed *infra* notes 113–14 and accompanying text.

See also *Telecom Technical Servs. Inc. v. Rolm Co.*, 388 F.3d 820, 831 (11th Cir. 2004) (finding it unnecessary to decide whether federal copyright law permits misuse defense); *Data Gen. Corp. v. Grumman Sys. Support Corp.*, 36 F.3d 1147, 1170 (1st Cir. 1994) (same). Cf. *Triad Sys. Corp. v. Se. Express Co.*, 64 F.3d 1330, 1337 (9th Cir. 1995) (finding that the defendant could not successfully invoke copyright misuse doctrine where the defendant did not attempt to prohibit the plaintiff from developing its own competitive software), *cert. denied*, 516 U.S. 1145 (1996).

See generally Ramsey Hanna, Note, *Misusing Antitrust: The Search for Functional Copyright Misuse Standards*, 46 STAN. L. REV. 401 (1994); Kathryn Judge, Note, *Rethinking Copyright Misuse*, 57 STAN. L. REV. 901 (2004); Note, *Clarifying the Copyright Misuse Defense: The Role of Antitrust Standards and First Amendment Values*, 104 HARV. L. REV. 1289 (1991).

112. See *Alcatel USA*, 166 F.3d at 792.

113. *Lasercomb Am.*, 911 F.2d at 972–79 (finding that it was misuse for copyright owner to license its computer program on condition that licensees promise not to participate in the development of similar, competing software).

114. The Fourth Circuit stated:

Subsequent cases have found copyright misuse in a variety of other situations where the plaintiff asserting copyright infringement was found to have improperly sought to extend its copyright into other, adjacent areas. For example in *Alcatel USA, Inc. v. DGI Technologies, Inc.*,¹¹⁵ the Fifth Circuit concluded that the restrictions imposed by the plaintiff in its licenses of its copyrighted software to customers—that the software could only be used in connection with the plaintiff's hardware—was in fact an indirect attempt to obtain patent-like protection for its hardware through its software copyright. This, the court held, constituted copyright misuse, which foreclosed an infringement action, even if the defendant had unlawfully copied the software to design its own competing products, and even if the defendant's conduct might make its own hands unclean as well.¹¹⁶

As is true with patent misuse, a finding of “copyright abuse” will render the copyright unenforceable, notwithstanding what would otherwise be infringing behavior. Therefore, here too, it follows that the owner of a copyright who has engaged in such behavior should not obtain shelter under the rights of the intellectual property regime. Rather, if the other elements of an antitrust violation are present, then that person or firm should have the *same duty* to sell its product to others as would the owner of a product not protected by copyright.¹¹⁷

D. *Improper Extension of Scope of Patent or Copyright*

Even if the patent and copyright misuse doctrines are given a narrow application, the rule that improper attempts to extend the scope of a copyright or patent may result in sanctions against the offending party supports the condemnation under the antitrust laws of certain

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. The question is not whether the copyright is being used in a manner violative of antitrust law . . . , but whether the copyright is being used in a manner violative of the public policy embodied in the grant of a copyright. . . . [T]he analysis necessary to a finding of misuse is similar to but separate from the analysis necessary to a finding of antitrust violation.

Id. at 978–79.

See also *Practice Management Information*, 121 F.3d at 521 (“We agree with the Fourth Circuit [in *Lasercomb*] that a defendant in a copyright infringement suit need not prove an antitrust violation to prevail on a copyright misuse defense.”).

115. *Alcatel USA, Inc.*, 166 F.3d 772.

116. *Id.* at 792–95.

117. See generally Catherine Parrish, Note, *Unilateral Refusals to License Software: Limitations on the Right to Exclude and the Need for Compulsory Licensing*, 68 BROOK. L. REV. 557 (2002) (criticizing the Federal Circuit's decision in *Xerox* and arguing that policy principles underlying copyright law support limitations on the right to refuse to license works).

refusals by the owners of this intellectual property to deal with their competitors. This principle is best illustrated by the prohibition of certain tying arrangements. It has been accepted law for nearly a century that the manufacturer of a product covered by a patent may not insist that its customers use only its unpatented staple supplies in connection with the patented product¹¹⁸ or that they must also purchase a second, unpatented product from it.¹¹⁹ Similar limitations exist on the right of a copyright owner, prohibiting it from insisting that purchasers or licensees take other products from it as a condition of obtaining the tying product.¹²⁰

Another basic principle is that although the patent or copyright owner may fully exploit its invention or work, it is not permitted to leverage or extend the market power from the federally created monopoly into another market where competition might otherwise prevail.¹²¹ Indeed, as the Supreme Court recognized in its *Image Technical* decision, it "has held many times that power gained through some natural and legal advantage such as a patent, copyright, or business acumen can give rise to liability if 'a seller exploits his dominant position in one market to expand his empire into the next.'"¹²²

118. See *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2, 9 n.13 (1984) (describing *Motion Picture Patents Co. v. Universal Film Co.*, 243 U.S. 502 (1917), as "a case holding that the sale of a patented film projector could not be conditioned on its use only with the patentee's films, since this would have the effect of extending the scope of the patent monopoly").

119. See, e.g., *Int'l Salt Co. v. United States*, 332 U.S. 392 (1947) (striking down an arrangement in which the defendant conditioned the lease of patented machines for injection of salt on the requirement that lessee purchase defendant's salt); *Int'l Bus. Machs. Corp. v. United States*, 298 U.S. 131 (1936) (striking down an arrangement where IBM leased patented data processing machines on the condition that only punch cards purchased from IBM be used in machines).

120. See *United States v. Loew's, Inc.*, 371 U.S. 38 (1962) (striking down a motion picture distributor's requirement that licensees of certain copyrighted films agree to take other, less-desired films).

121. The *Jefferson Parish* Court stated:

Any effort to enlarge the scope of the patent monopoly by using the market power it confers to restrain competition in the market for a second product will undermine competition on the merits in that second market. Thus, the sale or lease of a patented item on condition that the buyer make all his purchases of a separate tied product from the patentee is unlawful.

Jefferson Parish, 466 U.S. at 16.

Accord *Atari Games Corp. v. Nintendo of Am., Inc.*, 897 F.2d 1572, 1576 (Fed. Cir. 1990); see *supra* note 52 for discussion of *Atari*. The *Brulotte* Court stated:

A patent empowers the owner to exact royalties as high as he can negotiate with the leverage of that monopoly. But to use that leverage to project those royalty payments beyond the life of the patent is analogous to an effort to enlarge the monopoly of the patent by tying [*sic*] the sale or use of the patented article to the purchase or use of unpatented ones.

Brulotte v. Thys Co., 379 U.S. 29, 33 (1964).

122. *Eastman Kodak Co. v. Image Technical Servs., Inc.*, 504 U.S. 451, 480 n.29 (1992) (internal citations omitted). The *Morton Salt* Court stated:

The rationale for the imposition of a duty to deal under these circumstances is not to create competition in the market that is the subject of the intellectual property protection, for that exclusivity is indeed within the statutory monopoly conferred by the patent or copyright statutes.¹²³ Rather, it is to allow competition in complementary markets, which are not within the scope of the patent or copyright monopoly. This outcome will reinforce the balancing of interests inherent in the existence of specified limits on the grants of power embodied in intellectual property rights. And this outcome will also advance the policies inherent in the antitrust laws. By barring the patent or copyright owner from exploiting adjacent but unprotected markets, the erection of barriers to entry will be reduced and vigorous competition on the merits will be facilitated, resulting in an increase in consumer welfare.

E. Mandatory Licensing as Sanctions

Finally, the courts have long recognized that mandatory licensing of patents and sales of patented products are appropriate judicial remedies after a patent owner has been found to have violated the antitrust laws. For example, in *United States v. Glaxo Group Ltd.*,¹²⁴ the district court found that bulk-sales restrictions in the licensing agreements between the defendant-patent owners and their licensees constituted “*per se* violations of § 1 of the Sherman Act,”¹²⁵ but then declined to order the remedies sought by the government. Reversing on direct appeal, the Supreme Court stated that “mandatory sales and reasonable-royalty licensing . . . [were] well-established forms of relief when necessary to an effective remedy, particularly where patents

But the public policy which includes inventions within the granted monopoly excludes from it all that is not embraced in the invention. It equally forbids the use of the patent to secure an exclusive right or limited monopoly not granted by the Patent Office and which it is contrary to public policy to grant.

Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488, 492 (1942).

123. Professors Lopatka and Page have noted:

A sufficient condition for illegality should be that the monopolist, through its conduct, derives monopoly profits in a market, in which its intellectual property is not practiced, that it could not have obtained by fully exploiting its monopoly power in markets in which that property is practiced. . . . [I]f proven, acquiring monopoly profits in a second antitrust market, in which the protected property is not used, whether through tying or unilateral refusals to deal, is not included in a statutory grant of intellectual property rights and should be open to antitrust analysis.

Lopatka & Page, *supra* note 28, at 397–98.

124. 410 U.S. 52 (1973).

125. *Id.* at 56.

have provided the leverage for or have contributed to the antitrust violation adjudicated.”¹²⁶

Application of that standard—that mandatory sales or licensing are appropriate when the patents were integral to the antitrust violation—is arguably more problematic in at least one of the two cases under discussion (*Xerox*), where the very issue was whether the patent or copyright holder’s refusal to sell violated the antitrust laws. The result in *Image Technical* is certainly justified, where the Supreme Court had held that the plaintiffs had sufficiently stated a claim that the defendant’s practices constituted unlawful tying arrangements, and where only a small number of the tied products were protected by patents. And, as discussed above, even in the *Xerox* case, although the result is admittedly less clear, a court could reasonably have found that the defendant’s attempt to use its patents and copyrights to extend the monopoly into the market for repair services—which would have been competitive but for its refusal to deal—was violative of § 2 of the Sherman Act.¹²⁷

F. Trinko

A potential source of objection to the imposition of a duty on certain patent or copyright owners to deal with competitors or customers is the Supreme Court’s recent decision in *Trinko*.¹²⁸ There, the Court

126. *Id.* at 59. “Mandatory selling on specified terms and compulsory patent licensing at reasonable charges are recognized antitrust remedies.” *Id.* at 64.

The Supreme Court has approved similar remedies, after finding that the defendants had violated antitrust laws, on a number of occasions. *See, e.g.*, *Besser Mfg. Co. v. United States*, 343 U.S. 444, 447 (1952); *United States v. U.S. Gypsum Co.*, 340 U.S. 76, 93 (1950); *Int’l Salt Co. v. United States*, 332 U.S. 392, 399–400 (1947); *United States v. Nat’l Lead Co.*, 332 U.S. 319, 338 (1947).

See also *United States v. Microsoft Corp.*, 231 F. Supp. 2d 144, 192–93 (D.D.C. 2002) (approving consent decree which contained, *inter alia*, provisions requiring Microsoft to grant licenses of its intellectual property to specified entities on non-discriminatory basis upon payment of reasonable royalties), *aff’d in part, rev’d in part on other grounds*, 373 F.3d 1199 (D.C. Cir. 2004); *United States v. Spectra-Physics, Inc.*, 1981-2 Trade Cas. (CCH) ¶ 64,290 (N.D. Cal. Sept. 3, 1981) (approving a consent decree that resolved challenge to a merger containing provisions for nonexclusive, royalty-free licenses of patents).

See generally Lawrence Schlam, *Compulsory Royalty-Free Licensing as an Antitrust Remedy for Patent Fraud: Law, Policy and the Patent-Antitrust Interface Revisited*, 7 CORNELL J.L. & PUB. POL’Y 467 (1998).

127. The Court’s statement in *Glaxo* has close analogies to the gravamen of the ISOs’ complaint in *Image Technical* and *Xerox*. “[I]t is clear from the evidence that the . . . patent[s] gave the [defendants] the economic leverage with which to insist upon and enforce the bulk-sales restrictions imposed on the licensees.” *U.S. v. Glaxo Group Ltd.*, 410 U.S. 52, 60–61 (1973) (internal citations omitted). Similarly, in *Glaxo*, the defendants’ patents and copyrights created economic leverage, enabling them to extend their monopoly position to the market for the servicing of their products.

128. *Verizon Commc’ns, Inc. v. Law Offices of Curtis V. Trinko, L.L.P.*, 540 U.S. 398 (2004).

rejected a claim that an incumbent local exchange carrier had an obligation to share its telephone network with competitors, distinguishing its earlier decision in *Aspen Skiing*,¹²⁹ which had found such an affirmative duty. But there were a number of reasons given in *Trinko* for refusing to impose this duty, including the absence of an earlier, voluntary business relationship between the defendant and its competitors (as had existed in *Aspen Skiing*), and the presence of an extensive regulatory framework dealing with the issues that the plaintiff sought to have governed by the antitrust laws.

By contrast, not only is there no administrative or regulatory system in place in situations like *Image Technical* and *Xerox*, but, as in *Aspen Skiing*, the refusals to sell in these cases represented a change in practice, resulting in a reduction of consumer welfare. In *Image Technical* and *Xerox*, the defendants had previously dealt either with the ISOs directly or had sold the replacement parts to the customers, who had then provided them to the ISOs in connection with the repair service.¹³⁰ The prices for those sales had been set by the defendants at presumably profit-maximizing levels. Therefore, like in *Aspen Skiing*, the defendants' refusals to continue to sell could best be explained as part of an attempt to limit competition and to extend monopoly power into an adjacent market.¹³¹ Thus, *Trinko* does not undermine the Supreme Court's earlier decisions that refusals to deal may form the predicate of a violation of § 2 of the Sherman Act.¹³²

Finally, one asserted objection to the imposition of a duty to deal, alluded to in *Trinko*, is the administrative concern—the potential burden that monitoring this objection might put on the courts.¹³³ How

129. *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585 (1985).

130. *Cf. PSI Repair Servs., Inc. v. Honeywell, Inc.*, 104 F.3d 811, 821–22 (6th Cir. 1997) (finding that a manufacturer of industrial-control equipment that never sold its *unpatented* circuit boards either to the plaintiff repair service company or to its customers did not engage in unlawful monopolization by its refusal to deal).

131. The Court stated:

The unilateral termination of a voluntary (*and thus presumably profitable*) course of dealing suggested a willingness to forsake short-term profits to achieve an anticompetitive end. . . . In *Aspen Skiing*, the defendant turned down a proposal to sell at its own retail price, suggesting a calculation that its future monopoly retail price would be higher.

Trinko, 540 U.S. at 409.

132. A more complete analysis of the implications of *Trinko*—which has already been undertaken in a number of thoughtful pieces—is beyond the scope of this Article. See, e.g., Andrew Gavil, *Exclusionary Distribution Strategies by Dominant Firms: Striking a Better Balance*, 72 ANTITRUST L.J. 3 (2004); Herbert Hovenkamp, *Exclusion and the Sherman Act*, 72 U. CHI. L. REV. 147 (2005); John Thorne, *A Categorical Rule Limiting Section 2 of the Sherman Act: Verizon v. Trinko*, 72 U. CHI. L. REV. 289 (2005).

133. The Court noted: “We have been very cautious in recognizing such exceptions [to the rule declining to impose a duty to deal], because of . . . the difficulty of identifying and remedy-

will a court evaluate the reasonableness of the terms on which the defendant will deal with its competitors, including the prices it will charge? While admittedly a real problem, this burden was substantially lessened in cases such as *Image Technical* and *Xerox*. There the defendants were already selling to third parties the replacement parts that they refused to sell to the plaintiffs, including to some of the owners of its equipment, at prices that were set by the defendants and that presumably yielded an appropriate return to them. Courts could use the existing contracts, entered into at arms length between the parties, as a basis for overseeing any future contractual disputes.

VII. CONCLUSION

Both public policy considerations and the case law support the conclusion that the result reached by the Ninth Circuit in *Image Technical*—that under certain circumstances, firms that have improperly exploited the monopoly power flowing from the ownership of intellectual property, by extending that monopoly into other markets where competition would otherwise have prevailed, should be required to deal with competitors with respect to that property—is the soundest harmonization of the federal intellectual property and antitrust regimes. That reconciliation is certainly not inconsistent with the general policies underlying the patent and copyright laws. Patent and copyright owners would continue to be able to exploit fully the monopoly conferred by those grants, and they would be limited only in attempts to extend that monopoly beyond the proper scope of the grant. In this respect, patents and copyrights would be treated similarly to other forms of property. And that result would best advance the principal goal of the antitrust laws—and one that is hardly inconsistent with patent or copyright law—of increasing competition and maximizing consumer welfare.

ing anticompetitive conduct by a single firm." *Trinko*, 540 U.S. at 408. "Effective remediation of violations of regulatory sharing requirements will ordinarily require continuing supervision of a highly detailed decree." *Id.* at 414-15.