

Copyright Misuse: An Overview

by George Carr

In recent years, the affirmative defense of “copyright misuse” has been clarified and broadly recognized, and is now fairly well established. Litigators as well as consulting counsel should be aware of this developing doctrine.

Lack of Consistent Precedent

Over the years, courts have issued contradictory decisions regarding the parties’ relative burdens of proof and whether defenses to copyright infringement are “affirmative” or not. For instance, although it is well settled that the copyright holder must establish the validity of the copyright as an element of its case in chief, courts have split on whether defendants’ challenges to copyright validity (such as lack of copyrightability, insufficient originality, multiple authorship, and the like) are offered to rebut the presumption of validity which arises from the issuance of a registration, or constitute an affirmative defense to an infringement claim.

But recently, courts have begun to make definitive precedent on these topics, aided by articulate and diligent counsel for the parties before them, and consensus is building among trial and appellate courts. One of the beneficiaries of this trend toward consistency is the doctrine of copyright misuse. While it has not yet been formally recognized by the U.S. Supreme Court, it is recognized and well defined in several Circuits as an affirmative defense to infringement. It is somewhat analogous to patent misuse, which was first recognized by the Supreme Court in 1942, after years of discussion in the lower courts.

Because copyright misuse doctrine has only recently become stable, contemporary lawyers should exercise caution when citing to or relying on older cases. Older cases describe a wide variety of misconduct by the copyright holder as “copyright misuse,” without any meaningful effort to define the doctrine, or to differentiate it from generic “unclean hands” doctrine. This includes actions that present-day courts would interpret as invalidating the copyright entirely, such as omitting material information from the copyright registration application, or re-registering a work to extend the period of copyright protection. As will be seen below, copyright misuse only “suspends” the enforceability of a copyright, but can be cured, unlike fraud on the Copyright Office, which invalidates the registration entirely.

Older cases even draw the boundaries of copyright misuse broadly enough to include something that might better be described as waiver or even civil entrapment, such as a case where a copyright holder was prevented from claiming infringement by a live musical performance after it refused to provide a list of copyrighted works that should not be performed. Citation and quotation from these older authorities should be handled cautiously, and may sometimes require translation to modern vocabulary or legal concepts.

Copyright Misuse

It is now settled that “copyright misuse” is an affirmative defense, which must be pled and proven by an accused infringer. Like patent misuse, the defense arises out of a copyright holder’s attempts, whether successful or not, to unfairly claim rights broader than those granted by the copyright itself.

There is no element-by-element description of exactly what conduct constitutes copyright misuse; in this respect, it is like unjust enrichment, unclean hands, or other equitable doctrines that maintain vagueness as a virtue. Instead, just like patent misuse, it is broadly defined as using a copyright to secure an exclusive right or limited monopoly not granted by the Copyright Office, contrary to public policy. [endnote 1] Most often, the defense applies where the rightsholder has included terms in its typical license agreement that are unreasonably anti-competitive, such as prohibiting the use of competing products, [endnote 2] or prohibiting the licensee from independent creation of a non-infringing product that would compete with the copyrighted product, or would contribute to the public good. [endnote 3] The defense also applies when a rightsholder attempts to mislead or defraud an infringer, by unfairly threatening infringement penalties that exaggerate or misstate the law, [endnote 4] or by claiming copyright in a work that is at least partly in the public domain. [endnote 5]

Where the affirmative defense of copyright misuse has been proven, the copyright holder is prevented from enforcing its copyright, until it demonstrates that it has purged the misuse by abandoning the inappropriate conduct, and in cases where the misuse had actual anti-competitive consequences, the rightsholder must prove that those consequences have dissipated. [endnote 6] If this is not shown, the copyright cannot be enforced.

Tips for Transactional and Consulting Counsel

When advising copyright holders, it should be stressed that unfair, misleading, or anti-competitive conduct can effectively invalidate a copyright, even after a registration has issued. Counsel should endeavor to review license agreements, cease and desist letters, and other documents relating to the copyright at issue, to ensure that no misleading statements are made, and that no rights to monopoly, exclusivity, or restraint of creativity or competition are limited in such a way that misuse can be credibly alleged by an infringer. Note that there is inherent tension between the copyright owner’s right to restrict use of a licensed product with the licensee’s right to have meaningful use of the product [endnote 7], and to create similar creative products that contribute to the public good. So carefully worded license agreements are a necessity.

Enforcement counsel should take special care in alleging the scope of the copyright registration. Any difference, even a slight one, between the registered claim and the accused work should be carefully described in the initial communication (usually a cease-and-desist letter) to the accused infringer. A rightsholder who claims infringement in a musical work would be wise to reveal that the lyrics are in the public domain; a rightsholder who claims infringement in a software program would be wise to reveal that some of the source code was generated by “off the shelf” developers’

tools. An unjustified claim of copyright in every element of the allegedly infringed work may give rise to a meritorious misuse defense, even where infringement is weakly contested.

Tips for Litigation Counsel

Counsel for plaintiff copyright holders should investigate, prior to filing a Complaint, whether any previous conduct or contracts might expose the client to a claim of misuse. If so, the client may be well advised to cease and purge such conduct before filing suit, in order to minimize the effectiveness of this defense. Also, in cases where copyright misuse may be an issue, plaintiffs' counsel should vigorously investigate any evidence of defendant's related misconduct, because a defendant must itself have comparatively clean hands to claim the equitable defense of misuse. [endnote 8] While copyright infringement itself does not constitute unclean hands in the context of the misuse defense, other fraudulent, anti-competitive, or inequitable conduct will prevent an infringing defendant from asserting the defense, and should be investigated before summary judgment briefing.

Counsel for accused infringers, should plead misuse as an affirmative defense whenever the facts permit. (As a side note, many other useful defense theories, such as registrant fraud on the Copyright Office, lack of originality, or lack of copyright ownership should be pled, when warranted by facts, as affirmative defenses, even though many scholars and practitioners believe they need not be affirmatively proven by the defense. You can be sure that the one time they are not so pled, you will find yourself before a trial judge who will rule that they should have been.) Counsel asserting the defense should also seek discovery of all communications by plaintiff relating to the copyright, and license agreements to non-parties; copyright misuse bars enforcement of the copyright, even when the defendant is not a victim of the misuse. [endnote 9]

Conclusion

Copyright misuse has reached a state of codification and uniformity where it is useful and widely available in litigation for copyright infringement. But the stability of this doctrine means that its use has become more frequent, and will continue to do so. Accordingly, the costs of bringing an infringement claim are likely to rise. Accused infringers are entitled (and likely) to assert a misuse defense early in an infringement case, and thereafter obtain discovery on the rightsholder's licensing and enforcement activity. Where such activity has been substantial, the infringer's investigation may well uncover conduct that is sufficiently anti-competitive, or unfairly threatening, to justify denying summary judgment on liability, requiring a trial.

Copyright holders should take care in licensing their property, to avoid arguably anti-competitive license terms. They should also retain counsel to review any enforcement efforts -- threat letters, cease and desist demands, takedown notices, and the like -- before they are sent, to minimize the chance of any misleading statements about infringement penalties, or the scope of the claimed copyright. Any such questionable conduct could form the basis for a misuse defense.

[endnote 1] Lasercomb America, Inc. v. Reynolds, 911 F.2d 970, 977 (4th Cir. 1990).

[endnote 2] Practice Mgmt. Information Corp. v. Am. Med. Assn., 121 F.3d 516, 520-521 (9th Cir. 1997).

[endnote 3] Video Pipeline, Inc. v. Buena Vista Home Ent., Inc., 342 F.3d 191, 204 (3d Cir. 2003): “Anti-competitive licensing agreements may conflict with the purpose behind a copyright’s protection by depriving the public of the would-be competitor’s creativity.”

[endnote 4] Vogue Ring Creations, Inc. v. Hardman, 410 F.Supp. 609, 616 (D.R.I. 1976).

[endnote 5] F.E.L. Publications, Ltd. v. Catholic Bishop of Chicago, 214 U.S.P.Q. 409, 413 n.9 (7th Cir. 1982).

[endnote 6] Altmayer-Pizzorno v. L-Soft Int’l, Inc., 302 Fed. Appx. 148, 156-157 (4th Cir. 2008).

[endnote 7] S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081 (9th Cir. 1989); ITOFCA, Inc. v. Mega Trans Logistics, Inc., 322 F.3d 928 (7th Cir. 2003) (discussing scope of right to use under license agreement).

[endnote 8] Alcatel USA, Inc. v. DGI Techs., Inc., 166 F.3d 772, 794 (5th Cir. 1999).

[endnote 9] Lasercomb America, supra, at 979.

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