

**Slaying the Leather-Winged Demons in the Night:
Reforming Copyright Owner Contracting with Clickwrap Misuse**
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In the era of digital delivery of content, copyright owners have turned with a vengeance to the institution of contract to specify the rights and responsibilities of their customers. This trend began in earnest with shrinkwrap licenses accompanying over-the-counter computer software sales and, with the Internet, blossomed into full flower with ubiquitous clickwrap and browsewrap licensing.² Much scholarly ink has been spilled on the question of the enforceability of these contracts as a matter of contract law.³ A drafting project to create a Uniform

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² Christina L. Kunz, et al., *Click-Through Agreements: Strategies for Avoiding Disputes on Validity of Assent*, 57 BUS. LAW. 401 (2001) (describing “click wrap agreements” as those in which “one party sets up a proposed electronic form agreement to which another party may assent by clicking an icon or a button or by typing in a set of specified words.”); Christina L. Kunz, et al., *Browse-wrap Agreements: Validity of Implied Assent in Electronic Form Agreements*, 59 BUS. LAW. 279 (2003) (defining the term “browse-wrap” as “terms and conditions, posted on a Web site or accessible on the screen to the user of a CD-ROM, that do not require the user to expressly manifest assent, such as by clicking ‘yes’ or ‘I agree.’”). Browsewrap agreements have also been referred to as “click-free agreements.” See also, Charles R. McManis, *The Privatization (or “Shrink- Wrapping”) of American Copyright Law*, 87 CAL. L. REV. 173 (1999).

³ The list of articles discussing this topic is far too long to include in this article. For a representative sampling, see, e.g., Julie E. Cohen, *Copyright and the Jurisprudence of Self-Help*, 13 BERKELEY TECH. L.J. 1089 (1998); Niva Elkin-Koren, *Copyright Policy and the Limits of Freedom of Contract*, 12 BERKELEY TECH. L.J. 93 (1997); J.H. Reichman & Jonathan A. Franklin, *Privately Legislated Intellectual Property Rights: Reconciling Freedom of Contract with Public Good Uses of Information*, 147 U. PA. L. REV. 875 (1999); Mark A. Lemley, *Beyond Preemption: The Law and Policy of Intellectual Property Licensing*, 87 CAL. L. REV. 111 (1999); Michael J. Madison, *Reconstructing the Software License*, 35 LOY. U. CHI. L.J. 275 (2003); Raymond T. Nimmer, *Breaking Barriers: The Relation Between Contract and Intellectual*

Commercial Code to assist in the predictability of enforcement of these licensing agreements spanned over a decade,⁴ caused major rifts among the entities responsible for the Uniform Commercial Code,⁵ and eventually ended in a proposed model state statute that was, in the end, only adopted by two states.⁶ Even without a uniform statute on the issue, the courts that have addressed the enforceability of these contracts generally have found shrinkwrap and clickwrap

Property Law, 13 BERKELEY TECH. L.J. 827 (1998); Maureen A. O'Rourke, *Copyright Preemption After the ProCD Case: A Market-Based Approach*, 12 BERKELEY TECH. L.J. 53, 76 (1997).

⁴ The drafting of an article 2B of the Uniform Commercial Code began in 1992. Reichman & Franklin, *supra* note 3, at 880. The ultimate model law that was created out of that effort, UCITA, lost any remaining official support in 2003.

⁵ In 1994, the parties responsible for the Uniform Commercial Code began the drafting process for a new article 2B of the UCC to cover licenses. Garry L. Founds, Note, *Shrinkwrap and Clickwrap Agreements: 2B or Not 2B?*, 52 FED. COMM. L.J. 99, 102 (1999). For any drafting effort to become part of the UCC requires the support of both the American Law Institute (ALI) and the National Conference of Commissioners on Uniform State Laws (NCCUSL). In 1999 the ALI withdrew from the effort to draft article 2B of the UCC and NCCUSL renamed the draft the Uniform Computer Information Transactions Act (UCITA). Jean Braucher, *Delayed Disclosure in Consumer E-Commerce as an Unfair and Deceptive Practice*, 46 WAYNE L. REV. 1805, 1840-44 (2000). While UCITA was enacted in two states, Maryland and Virginia, it is, for all intents and purposes, dead. In February 2003 NCCUSL withdrew UCITA from consideration by the ABA House of Delegates. Jean Braucher, *The Failed Promise of the UCITA Mass-market Concept and its Lessons for Policing of Standard Form Contracts*, 7 J. SMALL & EMERGING BUS. L. 393 (2003).

These drafting efforts themselves spawned legions of law review articles and symposia. See, e.g., Symposium, *Intellectual Property and Contract Law in the Information Age: The Impact of Article 2B of the Uniform Commercial Code on the Future of Transactions in Information and Electronic Commerce*, 13 BERKELEY TECH. L.J. 809 (1998); Symposium, *Licensing in the Digital Age*, 36 HOUS. L. REV. 1 (1999); Braucher, *The Failed Promise of the UCITA Mass-market Concept and its Lessons for Policing of Standard Form Contracts*, *supra*.

⁶ See MD.CODE ANN. COM. LAW §§ 22-101 *et seq.*; VA.CODE ANN. §§ 59.1-501.1 *et seq.*

agreements to be enforceable.⁷

Knowing the courts often find these contracts to be enforceable, copyright and content owners have been flexing their muscles, adding to these contracts clauses that seek to obtain advantages that may not be socially beneficial. Through these contracts, copyright owners increasingly are attempting to assert rights that are not, in fact, consistent with the rights that these copyright and content owners possess. The tendency of these contracts to contain terms that are inconsistent with the limitations the Copyright Act places on the rights of copyright owners, coupled with the knowledge that many do not take the time to actually read to what it is they are binding themselves, leads some companies to define themselves, at least in part, by the outlandishness of their assertions. In this realm, Alchemy Mindworks rules supreme.⁸ Its web site provides that if a user fails to register software downloaded through their web pages “a leather-winged demon of the night will tear itself, shrieking blood and fury, from the endless caverns of the nether world, hurl itself into the darkness with a thirst for blood on its slavering fangs and search the very threads of time for the throbbing of your heartbeat. Just thought you’d

⁷ See, e.g., *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1452 (7th Cir. 1996); *Caspi v. Microsoft Network, L.L.C.*, 732 A.2d 528, 532 (N.J. Super. Ct. App. Div. 1999). There are, however, notable exceptions. See, e.g., *Step-Saver Data Sys., Inc. v. Wyse Tech.*, 939 F.2d 91, 105 (3d Cir. 1991); *Arizona Retail Sys., Inc. v. The Software Link, Inc.*, 831 F. Supp. 759 (D. Ariz. 1993). Browsewraps, on the other hand have been found to be potentially enforceable in the context of business data mining of a competitors web site. See e.g., *Ticketmaster Corp. v. Tickets.com Inc.*, No.CV997654HLHVBKX, 2003 WL 21406289, at *1 (C.D. Cal. Mar. 7, 2003); *Pollstar v. Gigmania Ltd.*, 170 F. Supp. 2d 974, 982 (E.D. Cal. 2000); *Register.com, Inc. v. Verio, Inc.*, 126 F. Supp. 2d 238 (S.D.N.Y. 2000). However, courts have found browsewraps not enforceable in other contexts. See, e.g., *Specht v. Netscape Communication Corp.*, 306 F.3d 17, 35 (2d Cir. 2002); *Williams v. Am. Online, Inc.*, No. 00-0962, 2001 WL 135825 (Mass. Super. Ct. Feb. 8, 2001).

⁸ There are others that attempt to use humor to attract attention to the provisions.

want to know that.”⁹

One hopes that Alchemy Mindworks could not legally use leather-winged demons of the night in this manner, but, setting the humor aside, the terms that have increasingly found their way into these agreements present disturbing potentials. Companies increasingly attempt to prohibit review or criticism of their products or even criticism of the companies themselves through these contracts.¹⁰ Other contracts seek to prohibit the disclosure of any product or benchmark testing done on the products, or any reviews of the product whatsoever.¹¹ Software companies also have sought to prohibit reverse engineering of their products through contractual

⁹ See Alchemy Mindworks, at <http://www.mindworkshop.com/alchemy/alchemy6.html> (last visited June 9, 2004). Alchemy further provides that it “accepts no responsibility for any loss damage or expense caused by leather-winged demons of the night, either.” *Id.* The threat of leather-winged demons in the night providing recourse for the sellers of content has been used by others. See also Schussler Cyborg Homepage, at <http://hem.passagen.se/tomperi/schussler/> (last visited June 9, 2004); Alchemy Mindworks, at <http://www.mindworkshop.com/alchemy/tradit/page005.html> (warning that “[a]buse of our e-mail resources may result in legal action or a leather-winged demon of the night dining on your pancreas”) (last visited June 9, 2004).

¹⁰ See, e.g., *Video Pipeline, Inc. v. Buena Vista Home Entm’t, Inc.*, 342 F.3d 191 (3d Cir. 2003) (discussing Disney license that prohibits criticism of Disney products, the Disney corporation, or the entertainment industry generally). End user license agreement for FrontPage 2002 states that “you may not use the Software in connection with any site that disparages Microsoft, . . . MSNBC, Expedia, or their products” *MS Frontpage Restricts Free Speech II (It’s True!)* (Sept. 21, 2001), at <http://slashdot.org/article.pl?sid=01/09/21/143825&mode=thread> (last visited June 9, 2004).

¹¹ For example, Network Associates used clauses in its licenses for VirusScan that prohibited the disclosure of any benchmark test to any third party without prior written approval from Network Associates, and also required the customer to agree to “not publish any reviews of this product without prior consent from Network Associates.” See *The Bureau of National Affairs, Inc., N.Y. AG Sues Network Associates Alleging Clause Barring Software Reviews Fraudulent*, 7 ELEC. COM. & L. Rep. 144 (2002). See also Julie Cohen, *Call it the Digital Millennium Censorship Act: Unfair Use*, THE NEW REPUBLIC, May 23, 2000.

restrictions.¹² Still others seek to prohibit resale of their copies or insist upon the ability to audit users' records and computer systems to verify payment of correct amounts owed under the license agreements.¹³

These clickwrap and shrinkwrap agreements all share one element: they attempt to govern the use of expressive content of some kind, usually distributed in digital form. The subject matter of these agreements are often copyrighted works: computer software, sound recordings, motion pictures, and even literary works. Copyright law grants copyright owners certain statutory rights, such as the right to reproduce the work, publicly display the work, and publicly perform the work.¹⁴ These shrinkwrap and browsewrap agreements grant licenses to users based on these statutorily defined rights. As a contract matter, the consideration being offered by the copyright owner is based largely on the rights granted by the copyright statute. For example, the copyright owner may be licensing a right to reproduce the copyrighted work onto the user's computer based upon the exclusive right to reproduce the work granted to the copyright owner by the Copyright Act.¹⁵ The Copyright Act, however, expressly limits the rights

¹² See, e.g., *Bowers v. Baystate Technologies, Inc.*, 320 F.3d 1317 (Fed. Cir. 2003).

¹³ Esther Schindler, *Taking License*, INFORMATION WEEK (Feb. 11, 2002), available at <http://www.informationweek.com/story/IWK20020208S0012> (describing Borland's license in two of its development tools) (last visited June 9, 2004).

¹⁴ 17 U.S.C. §106 (2001).

¹⁵ There is an argument that, at least for computer programs, these agreements are void due to a lack of consideration for these agreements. The Copyright Act grants owners of a copy of a program the right to make copies that are essential to the operation of the program. 17 U.S.C. §117. Thus, what the copyright owner is offering the purchaser in this "bargain" is a right that the purchaser already is granted by federal law.

An argument can be constructed that many agreements concerning digital content are based on consideration that is separate from rights granted by the Copyright Act. Often such arguments point to access to the work as separate consideration. The argument continues that

granted to copyright owners in 16 separate sections of the statute.¹⁶ When examining the types of contract clauses discussed in this Article, the most important and relevant limitations on the rights granted to copyright owners are the fair use doctrine, codified in section 107 of the Copyright Act,¹⁷ and the first sale doctrine, codified in section 109.¹⁸ Many contracts used by copyright owners today seek to avoid the express statutory limits on their rights by invoking the institution of contract.¹⁹ For example, these contracts attempt to prohibit the exercise of rights universally recognized as fair use, such as copying portions of a work for criticisms,²⁰ product

this separate consideration permits copyright owners to seek protections that exceed those granted by the Copyright Act; for example, that the “greater” authority to deny access entirely includes the “lesser” authority to permit access only upon agreement with certain conditions. See Julie E. Cohen, *Overcoming Property: Does Copyright Trump Privacy?*, 2002 U. ILL. J.L. TECH. & POL’Y 375 (exploring such property justification for conditioning access to copyrighted work). See also Madison, *supra* note 3 (examining different ways to thinking about contracts in copyrighted works).

¹⁶ 17 U.S.C. § 106 (providing that the rights granted in that section are “subject to sections 107 through 122 . . .”).

¹⁷ 17 U.S.C. § 107.

¹⁸ 17 U.S.C. § 109. As codified in this section, a lawfully obtained copy containing a copyrighted work may be resold without violating the right granted to the copyright owner to distribute copies of the work to the public. 17 U.S.C. § 109(a). The first sale doctrine does not provide a defense to a claim of unauthorized reproduction, or any of the other rights granted to copyright owners. This limitation on the first sale doctrine is significant for works distributed in digitized form. See R. Anthony Reese, *The First Sale Doctrine in the Era of Digital Networks*, 44 B.C. L. REV. 577 (2003).

¹⁹ See Julie E. Cohen, *Lochner in Cyberspace: The New Economic Orthodoxy of “Rights Management,”* 97 MICH. L. REV. 462 (1998).

²⁰ More insidious is that some of these contracts attempt to prohibit comment and criticism, generally. Presumably these contracts, if enforced, would apply to comment and criticism that does not even reproduce any copyrighted expression. Because copyright law only grants exclusive rights in the original expression contained in the copyrighted work, not the idea, the breadth of these types of contractual prohibitions would clearly exceed any rights granted by the copyright statute.

comparison and reverse engineering, or they seek to limit the application of the first sale doctrine in the digital age. Thus, enforcement of these provisions alters the statutory scheme defined by Congress in the Copyright Act.

This conflict between the balance of rights enacted by Congress in the Copyright Act and private contract rights in ubiquitous shrinkwrap and clickwrap licenses formed a central component of the opposition to the proposed Article 2B and UCITA statutes. Throughout the debate surrounding those proposed pieces of legislation, scholars proposed various ways to assure that broad enforcement of these shrinkwrap and clickwrap agreements do not lead to stagnation in the creation of new works by restricting the use of non-copyrightable elements of a work or by restricting the use of copyrighted portions of a work for educational or transformative purposes.²¹ Yet little has been accomplished in this regard. Scholars continue to propose legislative or doctrinal solutions and decry the ever strengthening rights of copyright owners. However, over the past decade copyright owners have been amassing stronger rights, rather than experiencing a weakening of their legal rights.²² And, shrinkwrap and clickwrap agreements have faced little trouble from courts in finding them to be enforceable as a matter of general contract law, allowing the leather-winged demons in the night (these over-reaching contract clauses) to feed on the fear of a coerced public.

²¹ See, e.g., Reichman & Franklin, *supra* note 3. The issues surrounding contract, copyright, and the potential for misuse in drafting a uniform code concerning licensing were recognized early. See, e.g., Robert P. Merges, *Intellectual Property and the Costs of Commercial Exchange: A Review Essay*, 93 MICH. L. REV. 1570, 1571-72 (1995).

²² Lydia Pallas Loren, *Digitization, Commodification, Criminalization: The Evolution of Criminal Copyright Infringement and the Importance of the Willfulness Requirement*, 77 WASH. U. L.Q. 835, 837-39 (1999) (summarizing legislative expansions of copyright owners' rights and remedies).

This Article argues that the current legal doctrines available to invalidate these overreaching provisions or to strike claims asserted for their breach are insufficient to stem the tide of abusive contracting behavior by content owners, allowing the leather-winged demons to feed freely and openly.²³ Even if a court would not enforce these overreaching contractual terms as a matter of contract law, the use of these type of provisions in ubiquitous shrinkwrap and clickwrap licenses has a certain *in terrorem* effect on users. Part I begins by exploring the potential chilling effect that the leather winged demons shrieking blood and fury have on users' behavior and why it is critical for courts to find ways to discourage contractual overreaching by copyright owners.

General unenforceability of such clauses would reduce the *in terrorem* effect of such clauses, particularly if their unenforceable nature were common knowledge. Part II of this article examines the contract doctrines most often asserted as grounds for the invalidity of these clauses. First, Part II describes how the relatively flaccid doctrine of unconscionability fails to provide sufficient protection against these clauses. Similarly, the assertion that these clauses are void as against public policy also does not actually discourage the use of such terms and notices. Finally, the doctrine of copyright preemption also fails to be a sufficient guard against clauses in contracts that conflict with the limitations on the copyright owners' rights. The courts have been quite miserly in their application of the preemption doctrine, despite a clear argument that the Copyright Act should preempt breach of contract claims based on many of these clauses in clickwrap agreements.

²³ Others have made this argument. See, e.g., Reichman & Franklin, *supra* note 3 (arguing for the legislative adoption of a doctrine of “public interest unconscionability”); Lemley, *supra* note 3 (exploring different doctrines that influence contract enforcement).

Part III of this article argues that applying the public policy approach to the doctrine of copyright misuse to these licensing terms should provide a more robust reformation of contracting behavior. As described in fuller detail in Part III, copyright misuse is an equitable defense based on a claim that the copyright owner has used the rights granted by the federal Copyright Act in a manner that is contrary to the public interest. Similar to the equitable defense of unclean hands, the defense of copyright misuse can be raised by an accused infringer that has not been affected by the alleged misuse. Recognizing a copyright misuse claim based on the overreaching contract clauses described above has several advantages. First, an assertion of copyright misuse can be made in a case that does not involve a claim for breach of one of these provisions. Second, a successful misuse defense results in a refusal by the court to enforce the copyright until the misuse is “purged.” Thus, the misuse doctrine provides a strong incentive for copyright owners to not attempt to overreach, given the potential downside risk of such overreaching. Third, as an equitable doctrine, misuse is subject to interpretation and revision by the courts. No legislative action is necessary. Finally, the mere threat of a misuse finding, so long as it is realistic, should cause copyright owners to be much more cautious in releasing leather winged demons to prey upon users. A broader application of the misuse doctrine would, therefore, “chill” a copyright owner’s impulse to overreach.

Part IV turns to the task of identifying the types of contracting behavior that should support a claim of misuse. This article proposes that a rebuttable presumption of misuse should be recognized anytime copyright owners seek, by contract, to avoid the express statutory limitations on their rights. This rebuttable presumption should also arise when the contract attempts to restrict activity that courts have generally recognized to be fair use. To rebut the

presumption of misuse, the copyright owner would be required to prove that encouraging the type of contracting behavior at issue is not likely to lead to a reduction of the external benefits the Copyright Act seeks to ensure through the limitation the copyright owner is contractually attempting to avoid. Only if this presumption is rebutted should the copyright owner be permitted to avoid the defense of misuse in an infringement action. Employing the proposed rebuttable presumption would allow contracting around the statutory limitations on a copyright owner's rights only on a limited and truly bargained-for basis.

I

Chilling Effect on Behavior

How concerned should we be about the types of contract terms described at the beginning of this Article? Consider, for example, users of a particular copyrighted product faced with a contract containing a restriction on publicly criticizing the product or the producer of the products. How much of a chilling effect will this term have on speech concerning the product? Computer programmers who desire to make competing products that interoperate with a program distributed with a clickwrap agreement that prohibits reverse engineering. How much of a chilling effect on competition will the contractual term have on the creation of new works? Similar questions can be asked for other contract clauses that may be used by copyright owners to avoid the limitation on their rights contained in the Copyright Act. The likely enforceability of clauses such as these forms only part of the picture. Separate from the issue of enforceability is the issue of the effect these clauses have on the behavior of individuals. Only if these clauses result in socially undesirable consequences should the law concern itself with providing a deterrence to such contracting behavior. This is particularly true if these provisions would not, as

a matter of contract law, be enforceable.²⁴

Consider clauses restricting critical speech. The value of critical speech is fundamental in a democratic society. Society benefits by having individuals engage in discussions that evaluate all aspects of the world in which we live. Included in those discussions should be consumers' opinions concerning everything, including products they have used, books they have read, and the companies that create and distribute these commodities. This commitment to open discourse is enshrined in the First Amendment and further protected in copyright law's idea expression dichotomy and fair use doctrines²⁵ and the First Amendment-animating rigors of defamation law.²⁶ If a producer of these products attempts by contract to restrict this open discourse, there may not be a violation of the First Amendment due to a lack of state action,²⁷ but should the law encourage such contracting behavior? To answer that question in the context of shrinkwrap and clickwrap licenses, one must first consider whether contractual restrictions on critical speech actually deter such speech.

Clauses restricting reverse engineering have become more common in shrinkwrap licenses for computer programs. The process of reverse engineering allows computer programmers

²⁴ See section II, *infra*, for a description of the general approach to the enforceability of these contracts under contract law and the preemption doctrine of copyright law.

²⁵ See *Campbell v. Acuff-Rose Music*, 510 U.S. 569 (1994); see also *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985).

²⁶ See *e.g.*, *New York Times Co. v. Sullivan*, 376 U.S. 254 (1964).

²⁷ When a copyright owner seeks to have such provisions enforced by the court, some argue that sufficient state action may be present to trigger analysis under the First Amendment. See Mark A. Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L.J. 147 (1998) (discussing the state action present when a copyright owner asserts infringement and seeks injunctive relief).

to obtain human readable code for a computer program. With access to that human readable code, competitors have access to the elements of the computer program that are unprotected by copyright law, such as the ideas of the program or the elements that are dictated by efficiency or the computing environment in which the program operates. With access to these elements of the program, competitors can create products that are interoperable with the copyrighted program that has been reversed engineered. The process of reverse engineering, however, involves making multiple copies of the copyrighted program. Courts addressing the value of competition and interoperability of computer programs have held that when reverse engineering is done for purposes of creating a non-infringing interoperable program, the copies that are made of the protected program are not infringing but are fair use.²⁸ The importance of allowing free competition of non-infringing works overrides the copyright owners' rights to prevent the making of copies in that setting. If the copyright owner of the computer program attempts by contract to restrict the development of these competing products should the law encourage such contracting behavior? To answer that question in the context of shrinkwrap and clickwrap licenses, one must first consider whether contractual restrictions on reverse engineering actually deter the creation of competing interoperable programs.

The potential reactions to contractual prohibitions by those who might be interested in engaging in criticism of a product, or by those interested in engaging in reverse engineering, may be 1) a lack of awareness of the restriction, 2) awareness of the term, yet confidence that the restriction would not be enforced, 3) awareness of the term and some measure of effect on that

²⁸ See, e.g., *Sega Enters., Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992); see also *Sony Computer Entm't, Inc. v. Connectix Corp.*, 203 F.3d 596 (9th Cir. 2000). But see *Bowers v. Baystate Techs., Inc.*, 320 F.3d 1317 (Fed. Cir. 2003).

user's potential speech. If this last category of individuals is significant, then the law should encourage contracting behavior that does not cause speech or competition to be chilled. There is reason to believe that the last category may be sufficiently significant such that we should be concerned.

First, consider the category of those that might be interested in engaging in criticism of the product. It might be tempting to exclude a large percentage of users on the theory that many individuals in society are not interested in engaging in critical speech. This temptation should be resisted. When examining the effect of any legal rule on speech, it is more appropriate to consider everyone a *potential* speaker. This is particularly true when the clause seeks to limit any discussion critical of the product, not just published criticisms. Although, in the age of computer bulletin boards and web blogs anyone has the ability to "publish" their criticisms. Thus even those clauses that purport to limit critical speech only through unauthorized publication potentially restrict all individuals in our society.

Next, a contractual clause that purports to restrict speech will have an effect on speech only if individuals are aware of the existence of such clause in the agreements to which they have assented. It is common knowledge that the vast majority of individuals do not, in fact, read the shrinkwrap and clickwrap agreements employed by content owners. Thus, it would be tempting to find that these clauses have little effect on behavior because few people are even aware of their existence. Again, this temptation should be resisted. Individuals become aware of the existence of these terms through channels other than reading the license agreement at the time of purchase or installation of the product. As copyright owners increasingly use these types of speech restriction clauses, individuals have begun discussing their existence through listserves, computer

bulletin boards and web blogs. Stories of some of these clauses have also been reported in the press. Suits brought to have these clauses declared unenforceable²⁹ also heighten awareness of the existence of these clauses. Thus, ultimately the percentage of users of these products that may be aware of the speech-restricting clause is higher than merely those few individuals who read license agreements upon installation of computer products.

Of course being aware of the existence of these clauses does not, in itself, affect behavior. Individuals who are certain that these clauses will not be enforced, either because they are confident that the copyright owner will not assert a breach of contract claim against them, or that the courts will find these clauses invalid under one of the doctrines discussed in Part I of this Article, will experience no chilling of their speech. While courts may indeed find such contractual restrictions unenforceable, such a conclusion is not without doubt. Additionally, users may consider recent litigation by copyright owners as an indication of the seriousness with which copyright owners pursue their rights. The Recording Industry Association of America has filed suit against almost 2,000 individuals for sharing music on the Internet.³⁰ Some of the defendants in these cases are children as young as 12.³¹ Criminal charges recently have been brought against an individual who sold lawful copies of movies over eBay.³² Diebold Election

²⁹ See *The Bureau of National Affairs, Inc.*, *supra* note 11.

³⁰ Katie Dean, *Music Group Sues another Batch*, WIRED NEWS (Mar. 23, 2004), at <http://www.wired.com/news/digiwood/0,1412,62769,00.html> (last visited June 9, 2004).

³¹ Katie Dean, *Schoolgirl Settles With RIAA*, WIRED NEWS (Sept. 10, 2003), at <http://www.wired.com/news/digiwood/0,1412,60366,00.html> (last visited June 9, 2004).

³² *An Arrest in a 'Screener' Case*, N.Y. TIMES, Jan. 24, 2004, § B (Cultural), at 16 (describing the arrest of an individual who sold “screener” copies of movies sent to members of the Academy of Motion Picture Arts and Sciences for voting on Oscars).

Systems, Inc., used the leverage of copyright to silence college web sites created by students who were critical of the security of Internet voting using Diebold systems.³³ Each of these incidents have been discussed in the national media with one recent article in the *New York Times* decrying “The Tyranny of Copyright.”³⁴

While these high profile incidents are not seeking to enforce contractual speech restrictions, such nuance may be lost on those untrained in the law. Instead, non-lawyers may see these suits, together with the FBI warnings at the beginning of movies and may think “boy, those copyright owners sure are capable of making life miserable for the average Joe.” Thus it is understandable that a fair number of individuals may be more than a little gun-shy of crossing the path of a copyright owner. This is particularly true given the relatively low value that an individual may place on being able to warn *others* about the unsatisfactory nature of a particular product.³⁵

Another possibility is that those who desire to engage in critical discussions of products and companies will attempt to bypass assenting to the agreements containing these terms. The restrictions on circumventing technological protection measures employed by copyright owners

³³ John Schwartz, *File Sharing Pits Copyright Against Free Speech*, N.Y. TIMES, Nov. 3, 2003, § C (Financial), at 1. Subsequently, Diebold relented and withdrew its assertions of copyright infringement, permitting the students to continue posting internal email documents from Diebold that indicated the serious flaws in Diebolds voting software.

³⁴ Robert S. Boynton, *The Tyranny of Copyright?*, N.Y. TIMES, Jan. 25, 2004, § 6 (magazine) at 40.

³⁵ Critical speech has major external benefits that the speaker does not internalize and thus does not weigh in the balance when deciding upon a particular course of action. For a discussion of externalities, *see infra* section IV.

created by the Digital Millennium Copyright Act's anticircumvention provisions³⁶ make such attempts not only technologically difficult but also a violation of federal law. As attempts at obtaining access to a copyrighted work by by-passing a measure which the copyright owner has employed, such circumvention may violate section 1201(a)(2). Even if one were willing to risk a violation of this provision, the DMCA makes circumvention by non-technically trained individuals exceedingly difficult by limiting the availability of technical assistance in the form of circumvention devices or services.³⁷ Thus, because it is only technically savvy individuals who are willing to risk violating section 1201 that might be likely to use this route to obtain access to a work without assenting to the clickwrap license agreement, this possibility yields few individuals who will engage in critical speech. The restrictions of the DMCA place additional pressure on the courts to find mechanisms to restrict abusive licensing practices.³⁸

A similar analysis can be pursued for companies that desire to reverse engineer a product so as to be able to create interoperating competing programs. Obviously the percentage of purchasers that might desire to engage in this behavior is far smaller than those that may desire to engage in critical speech. However, the competitors that do desire to engage in this behavior ultimately will produce products that may be sold to all consumers. Additionally, the competition created by these products that might ultimately be produced results in greater choices for consumers and potentially lower prices on goods. These competitors are also likely to be

³⁶ 17 U.S.C. §1201 (2001).

³⁷ 17 U.S.C. § 1201(b). *See* 321 Studios v. MGM Studios, Inc., 307 F. Supp. 2d 1085 (N.D. Cal. 2004).

³⁸ “A publisher can prohibit fair-use commentary simply by implementing access and disclosure restrictions that bind the entire public. Anyone who discloses the information, or even tells others how to get it, is a felon.” *See* Cohen, *supra* note 11.

aware of the restrictions contained in the agreement as they would be likely to investigate the terms of the agreement with some care. If the only way for a potential competitor to obtain a copy of the work includes binding themselves a shrinkwrap license the likelihood of judicial enforcement of that restriction will enter into the competitor's determination of whether to proceed in making the competing product or to instead invest company resources in some other product.

The potential for speech-restriction clauses in shrinkwrap and clickwrap agreements to chill speech is not insignificant. Similarly, contractual restrictions on reverse engineering are likely to have some effect on the development of non-infringing competing products. This brief analysis of just two types of clauses that restrict recognized fair uses of copyrighted works indicates that the law should be concerned about the potential for such clauses to have a detrimental effect on society. Because of the effect that these clauses have on behavior that is not only lawful, but behavior that Congress has determined should not be within the control of copyright owners, it is critical for courts to find ways to discourage this contractual overreaching by copyright owners.

II

Shrinkwrap and Clickwrap Agreements as Contracts

The *in terrorem* effect of these troubling clauses would be reduced if courts generally found such clauses to be unenforceable, the level of reduction corresponding to the level of knowledge of their unenforceable nature among the parties to such contracts. Basic contract law requires an agreement of the parties for there to be an enforceable contract. When one party proposes the terms of an agreement to another, in order for there to be a binding contract there

must be a meeting of the minds, a manifestation of assent to those terms by the other party to the contract. “Mutual manifestation of assent, whether by written or spoken word or by conduct, is the touchstone of contract.”³⁹ In the context of shrinkwrap and clickwrap contracts, the copyright or content owner proposes a set of terms in the license agreement. The user manifests his or her assent to those terms either by breaking open the plastic covering on the package, hence the term “shrinkwrap” license, or, in the aptly named “clickwrap” contract, by clicking on the “I agree” button or box.⁴⁰ Anyone who has installed any piece of computer software has had this experience. Upon initial installation, a box appears on the computer screen. Inside the box is the set of terms contained in the agreement. Typically two choices appear at the bottom of the box: either accept the terms of the agreement and proceed with the installation, or decline to accept and the software will not be installed.

In an opinion by Judge Easterbrook, the Seventh Circuit enforced a license that had elements of both a shrinkwrap and clickwrap license.⁴¹ In *ProCD v. Zeidenberg*,⁴² the seller of an off-the-shelf computer software product stated on the outside of the package that the use of the product was governed by the terms of a license agreement contained inside the box and on the computer disks.⁴³ These license terms were displayed on the screen of the computer during

³⁹ *Specht v. Netscape Communication Corp.*, 306 F.3d 17, 29 (2d Cir. 2002) (citing *Binder v. Aetna Life Ins. Co.*, 75 Cal. App. 4th 832, 848, 89 Cal. Rptr. 2d 540, 551 (1999)).

⁴⁰ RESTATEMENT (SECOND) OF CONTRACTS § 19(2) (1981) (“stating the conduct of a party is not effective as a manifestation of his assent unless he intends to engage in the conduct and knows or has reason to know that the other party may infer from his conduct that he assents.”).

⁴¹ *See ProCD*, 86 F.3d 1447 (7th Cir. 1996).

⁴² *Id.*

⁴³ *Id.* at 1450.

installation of the software and required that the purchaser click “I accept” in order to complete the download process.⁴⁴ The Seventh Circuit concluded that the notice on the outside of the box, combined with terms on the inside, and a right to return the product for a refund if the purchaser finds the terms unacceptable, made an enforceable contract.⁴⁵

Despite widespread scholarly criticism of the decision,⁴⁶ many courts have followed the reasoning of *ProCD* in the clickwrap context.⁴⁷ The manifestation of assent by clicking on “I agree” has been acknowledged by courts in a variety of contractual settings including internet service agreements concluded online,⁴⁸ and the purchase of software.⁴⁹ As one court announced, “[a] contract is no less a contract simply because it is entered into via a computer.”⁵⁰

⁴⁴ *Id.*

⁴⁵ *Id.* at 1452-1453. The court rejected the defendants argument, which had been accepted by the district court, that the offer consisted of the consumer purchasing the product and the acceptance of that offer consisted of the sales transaction being completed. *Id.* at 1450.

⁴⁶ See, e.g., Roger C. Bern, “*Terms Later*” Contracting: *Bad Economics, Bad Morals, and a Bad Idea for a Uniform Law, Judge Easterbrook Notwithstanding*, 12 J.L. & POL’Y 641 (2004); Michael J. Madison, *Legal-Ware: Contract and Copyright in the Digital Age*, 67 *FORDHAM L. REV.* 1025 (1998).

⁴⁷ See, e.g., *Peerless Wall & Window Coverings, Inc. v. Synchronics, Inc.*, 85 F. Supp. 2d 519 (W.D. Pa. 2000); see also *Rinaldi v. Iomega Corp.*, No. 98C-09-064-RRC, 1999 WL 1442014 (Del Super. Sept. 3, 1999). But see *Step-Saver Data Sys., Inc. v. Wyse Tech.*, 939 F.2d 91, 105 (3d Cir. 1991); *Arizona Retail Sys., Inc. v. Software Link, Inc.*, 831 F. Supp. 759, 764 (D. Ariz. 1993).

⁴⁸ *Hughes v. McMenammon*, 204 F. Supp. 2d 178 (D. Mass. 2002); *Forrest v. Verizon Communications, Inc.*, 805 A.2d 1007 (D.C. Ct. App. 2002); *Hotmail Corp. v. Van\$ Money Pie Inc.*, No. C-98-JW PVT ENE, C-98-20064 JW, 1998 WL 388389 (N.D. Cal. Apr. 16, 1998).

⁴⁹ *I.Lan Sys., Inc. v. NetScout Serv. Level Corp.*, 183 F. Supp. 2d 328 (D. Mass. 2002); *Moore v. Microsoft Corp.*, 741 N.Y.S.2d 91 (N.Y. App. Div. 2002).

⁵⁰ *Forrest*, 805 A.2d at 1011.

While holding that shrinkwrap licenses generally are enforceable, in *ProCD* the Seventh Circuit noted that, like any contract, terms in such licenses might be “objectionable on grounds applicable to contracts in general (for example, if they violate a rule of positive law, or if they are unconscionable).”⁵¹ The possibility of these doctrines providing some relief from contracts that overreach is the issue to which this Article now turns.

A. Unconscionability

The doctrine of unconscionability provides courts with a mechanism for refusing to enforce specific terms within an enforceable contract, as well as refusing to enforce entire contracts. “For at least two hundred years equity courts have refused to grant specific enforcement of, or have rescinded, contracts so unconscionable ‘as no man in his senses and not under delusion would make on the one hand, and as no honest and fair man would accept on the other.’”⁵² Unconscionability can be an important doctrinal tool used by courts to refuse to enforce specific terms in an otherwise enforceable agreement.

Generally, courts and commentators discuss two types of unconscionability: procedural unconscionability, sometimes referred to as “bargaining naughtiness”⁵³; and substantive unconscionability, otherwise known as overly harsh terms. Each of these types of unconscionability relate to other contract doctrines; procedural unconscionability is similar to fraud or duress in the formation of the contract, while substantive unconscionability is similar to

⁵¹ *ProCD*, 86 F.3d at 1449.

⁵² JAMES J. WHITE & ROBERT S. SUMMERS, UNIFORM COMMERCIAL CODE, § 4-2 (4th ed. 1995) (quoting, *Earl of Chesterfield v. Janssen*, 2 Ves. Sr. 125, 28 Eng. Rep. 82, 100 (Ch. 1750)).

⁵³ Arthur Allen Leff, *Unconscionability and The Code – The Emperor’s new Clause*, 115 U. PA. L. REV. 485, 487 (1967).

terms that are contrary to public policy.⁵⁴ In the majority of cases, courts require the presence of both procedural and substantive unconscionability in order for a term to be unenforceable under the doctrine of unconscionability.⁵⁵ Exceptions to this dual requirement occur; there are cases in which the courts have found terms unconscionable based solely on one form of unconscionability without inquiring into the presence or absence of the other type of unconscionability.⁵⁶

The types of clauses copyright owners insert into shrinkwrap and clickwrap agreements may rise to the level of procedural unconscionability. The mass marketed agreements are of the “take-it-or-leave-it” adhesion variety. A contract of adhesion “is one which is prepared by the party with excessive bargaining power who presents it to the other party for signature on a take-it- or-leave-it basis.”⁵⁷ Merely because a contract can be characterized as a contract of adhesion, however, does not render the agreement unenforceable. In some instances courts have found that adhesion contracts satisfactorily present an element of procedural unconscionability.⁵⁸

⁵⁴ WHITE & SUMMERS, *supra* note 52, at 214.

⁵⁵ See Russell Korobkin, *Bounded Rationality, Standard Form Contracts, and Unconscionability*, 70 U. CHI. L. REV. 1203, 1256 (2003). In California, for example, a contract to arbitrate is unenforceable only if “both a procedural and substantive element of unconscionability” are present. *Circuit City Stores, Inc. v. Mantor*, 335 F.3d 1101, 1105 (9th Cir. 2003) (quoting *Ferguson v. Countrywide Credit Indus., Inc.*, 298 F.3d 778, 783 (9th Cir. 2002)); *accord. Armendariz v. Found. Health Psychcare Servs., Inc.*, 6 P.3d 669, 690 (Cal. 2000).

⁵⁶ *East Ford, Inc. v. Taylor*, 826 So. 2d 709, 715 (Miss. 2002) (holding substantive unconscionability analysis is unnecessary if procedural unconscionability is present), *cert. denied*, 537 U.S. 1194 (2003); *Brower v. Gateway 2000, Inc.*, 676 N.Y.S.2d 569 (N.Y. App. Div. 1998) (finding arbitration term unconscionable based on substance, without a finding of procedural unconscionability).

⁵⁷ *Trailer Marine Transp. Corp. v. Charley's Trucking, Inc.*, 20 V.I. 282, 284 (1984) (citation omitted).

⁵⁸ *Alexander v. Anthony Intern., L.P.*, 341 F.3d 256, 265 (3d Cir. 2003).

The majority of courts, however, find that merely because a contract is adhesive in nature does not mean that the contract is procedurally unconscionable.⁵⁹ Even if the adhesive nature of the agreement met the requirement of procedural unconscionability, most courts require that the terms of the agreement be egregious enough to qualify as substantively unconscionable before refusing to enforce those provisions.

Closer examination of the doctrine of unconscionability reveals the difficulty with using the adhesive nature of the contracts in the shrinkwrap or clickwrap contracts to prove unconscionability. As the Restatement of Contracts explains in the commentary to section 208 concerning unconscionable contracts or terms:

[G]ross inequality of bargaining power, together with terms unreasonably favorable to the stronger party, may confirm indications that the transaction involved elements of deception or compulsion, or may show that the weaker party had no meaningful choice, no real alternative, or did not in fact assent or appear to assent to the unfair terms.⁶⁰

If an adhesion contract is suspect only because it can confirm indications of required infirmities, such as deception or compulsion, the kinds of shrinkwrap and clickwrap contracts containing the types of terms which overreach from a copyright standpoint, actually do not provide evidence of these more basic infirmities. Typically, there is no deception; the terms of the contract are available for user review prior to entering into the contract.⁶¹ Concerning meaningful choice or the presences of a realistic alternative, unless the product being sold is a unique product that has

⁵⁹ Korobkin, *supra* note 55, at 1258.

⁶⁰ RESTATEMENT (SECOND) OF CONTRACTS, § 208 cmt. d (1981).

⁶¹ To the extent that terms are not available for review before downloading or installing a product, courts have deemed these “browsewrap” agreements, and have found them to be unenforceable. *See supra* note 2. In the case of repeat users of these products, however, courts have found those terms of use enforceable. *See Kunz, supra* note 2.

no potential market substitutes, it may be difficult for courts to recognize that the user of a piece of computer software or other digital work is obligated to agree to the clickwrap license, even though without agreeing the user cannot lawfully obtain access or otherwise use the software or product. If we are concerned with purchasers having a meaningful choice of different contract terms, the more commonplace these burdensome clauses become, the more the possibility for meaningful choice in the marketplace is reduced.

Relying on the doctrine of unconscionability to guard against overreaching by copyright owners in their shrinkwrap and clickwrap licenses presents several problems. As described above, the test of unconscionability is notoriously difficult to satisfy.⁶² Thus, a term in a contract that may seem unfair may, in fact, be justifiable in the marketplace,⁶³ even if that term is contained in a shrinkwrap or clickwrap agreement. Additionally, the vast majority of these provisions will never be litigated, leaving the *in terrorem* effect of these provisions intact.

B. Void as against public policy

Courts have long refused to enforce contract provisions that contravene public policy.⁶⁴ The trick, of course, is to determine which provisions are so in conflict with public policy as to be unenforceable. The freedom to contract is a competing public policy that must be outweighed

⁶² Others have noted the weakness of unconscionability as a tool in guarding against overreaching by copyright owners. Lemley, *supra* note 3. Unconscionability “as currently administered give courts no solid foundation for coping with the downside social risks inherent in an unprecedented meshing of federal intellectual property policies with state-enforced contracts of adhesion.” Reichman & Franklin, *supra* note 3, at 920.

⁶³ See Korobkin, *supra* note 55.

⁶⁴ See e.g., 14 SAMUEL WILLISTON, WILLISTON ON CONTRACTS § 1630A (3d ed. 1957); 15 SAMUEL WILLISTON, WILLISTON ON CONTRACTS § 1762 (3d ed.1957); 6A ARTHUR LINTON CORBIN, CORBIN ON CONTRACTS §§ 1534-41 (1962 & Supp.1980).

by an overriding societal interest for a clause to be void as against public policy.⁶⁵ Clauses that would constitute overreaching as further defined in Part IV are in conflict with the public policy embodied in the Copyright Act. When the Copyright Act provides the public policy at issue, courts typically will analyze the assertions that the clause is void because it violates public policy under the doctrine of federal preemption instead.⁶⁶

C. Preemption by Copyright

Section 301 of the Copyright Act expressly preempts “all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright”⁶⁷ In determining whether a particular state law claim is “equivalent” courts often consider whether the state law cause of action includes an “extra element” in addition to the elements of a copyright claim.⁶⁸ This extra element must make the state law claim “qualitatively different” from the claims permitted by the Copyright Act.⁶⁹

Many scholars have addressed the use of preemption as a way to refuse to enforce the types of contractual provisions that attempt to avoid the limitations Congress placed on copyright

⁶⁵ RESTATEMENT (SECOND) OF CONTRACTS §178 & reporters notes (1981).

⁶⁶For an argument that courts can and sometimes do apply federal public policy directly, *see* Lemley, *supra* note 3, at 158-163. It is more common, however, for the courts to use preemption analysis when addressing public policy arguments.

⁶⁷ 17 U.S.C. § 301 (2001).

⁶⁸ *See, e.g., Harper & Row, Publishers, Inc. v. Nation Enters.*, 723 F.2d 195, 200 (2d Cir. 1983), *rev'd on other grounds*, 471 U.S. 539 (1985). *See generally*, Howard B. Abrams, *Copyright, Misappropriation, and Preemption: Constitutional and Statutory Limits of State Law Protection*, 1983 SUP. CT. REV. 509, 537-48.

⁶⁹ *Harper & Row, Publishers*, 723 F.2d at 201.

owners' rights in the Copyright Act.⁷⁰ Scholars have noted that in addition to the express preemption provision of section 301, preemption based on the Supremacy Clause generally remains a valid argument.⁷¹

Courts, however, have been less inclined to find preemption of breach of contract claims for a variety of reasons. For some courts, the contract provides rights only between two parties, not “rights against the world” as copyright law provides.⁷² For these courts, then, a claim for breach of contract is not “equivalent” to a copyright claim and therefore is not preempted under section 301.⁷³ These courts reach this conclusion despite the fact that for clickwrap agreements the only way for anyone to have access to the work is to agree to these provisions. Therefore these contracts do appear to grant rights against the world.⁷⁴

⁷⁰ Maureen A. O'Rourke, *Drawing the Boundary Between Copyright and Contract: Copyright Preemption of Software License Terms*, 45 DUKE L.J. 479, (1995); Reichman & Franklin, *supra* note 3; Lemley, *supra* note 3. Some scholars have argued against preemption of contract clauses. *See, e.g.*, Maureen A. O'Rourke, *Fencing Cyberspace: Drawing Borders in a Virtual World*, 82 MINN. L. REV. 609 (1998).

⁷¹ David A. Rice, *Copyright and Contract: Preemption after Bowers v. Baystate*, 9 ROGER WILLIAMS U. L. REV. 595, 628-634 (2004); Paul Goldstein, 3 COPYRIGHT §15.3.3 (2d ed. 2001 Supp.); O'Rourke, *Drawing the Boundary*, *supra* note 70, at 534-41; Charles R. McManis, *Intellectual Property Protection and Reverse Engineering of Computer Programs in the United States and the European Community*, 8 HIGH TECH. L.J. 25, 89-90 (1993); Paul Heald, *Federal Intellectual Property Law and the Economics of Preemption*, 76 IOWA L. REV. 959 (1991)

⁷² *See, e.g.*, *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1454 (7th Cir. 1996).

⁷³ *See id.* Preemption under the Supremacy Clause does not follow the same analysis and for that reason may result in a higher likelihood of finding such a breach of contract claim preempted.

⁷⁴ In *ProCD*, the court seemed to be under the impression that someone who found the CD on the street would not be bound by the agreement. *Id.* However, it was clear in that case that even someone who found the CD on the street would need to click on the “I agree” button in order to be able to access the content of the product. *Id.*

While there are arguments that certain types of overreaching clauses in shrinkwrap and clickwrap agreements should not be enforced by the courts, these clauses are contained in agreements that, in general, are enforceable. A claim by the copyright owner for breach of contract based on certain types of provisions in these agreements may face challenges that they are unconscionable, void as against public policy, or that the breach claim is preempted by federal copyright law. Some of these defenses, in certain situations, may ultimately result in a ruling of unenforceability or invalidity of particular provisions, although that is by no means a guaranteed conclusion.

Moreover, the possibility of content owners asserting a claim for breach of these overreaching clauses may actually be quite slim, making determinations on the enforceable nature of such clauses or the preemptive effect of the Copyright Act on such clauses exceedingly rare. In part this may be because users do not, in fact, breach these agreements. But, in part, it may be the desire on the part of the content owner to preserve the *in terrorem* effect these agreements may have. Even when an individual user has breached one of these clauses, the content owner may perceive the better strategy to ignore the breach, or at least not file a lawsuit claiming breach, rather than risk a court ruling that the clause is invalid. The copyright owner may prefer the *in terrorem* effects that such provisions may have, shaping the behavior of more risk averse individuals.⁷⁵

III

Misuse as a Tool for Reforming Contracting Behavior

⁷⁵ The *in terrorem* effect of unenforceable clauses is not unique to copyright law. See, e.g., Derek W. Loeser, *The Legal, Ethical, and Practical Implications of Noncompetition Clauses: What Physicians Should Know Before They Sign*, 31 J.L. MED. & ETHICS 283, 285 (2003).

Considered critically, the potential for clauses in clickwrap agreement to deter otherwise lawful activity is not insignificant. Even if these clauses would not be enforced by a court, a result that is far from guaranteed under the current trends in the case law, the use of these clauses will have some *in terrorem* effect. Declaring such terms unenforceable, while important, ultimately is insufficient. The law should deter copyright owners from inserting such provisions into shrinkwrap or clickwrap agreements. The doctrine of copyright misuse can provide a nicely calibrated deterrent - temporarily rendering the rights under copyright law unenforceable.

A. Misuse of Copyright – The Basics

The doctrine of copyright misuse is an equitable doctrine with historical roots in the defense of unclean hands.⁷⁶ As with a finding of unclean hands, a plaintiff who has committed acts constituting a misuse of copyright will not be permitted to obtain the assistance of the courts in enforcing his copyright. Thus, copyright misuse “bars a culpable plaintiff from prevailing on an action for the infringement of the misused copyright.”⁷⁷ While the Supreme Court has not yet recognized the doctrine of copyright misuse, it recognized the defense of patent misuse almost 100 years ago.⁷⁸ Several Circuit Courts have acknowledged that the principles that animate the patent misuse doctrine are equally applicable to copyright. In *Lasercomb America, Inc. v. Reynolds*,⁷⁹ the Fourth Circuit was the first to extend the rationale behind patent misuse to

⁷⁶ *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772 (5th Cir. 1999).

⁷⁷ *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 972 (4th Cir. 1990).

⁷⁸ *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917). Most courts and commentators point to *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942), as the fountainhead of the patent misuse doctrine.

⁷⁹ 911 F.2d 970 (4th Cir. 1990).

copyrights, finding that the defense of misuse was “inherent in the law of copyright just as a misuse of patent defense is inherent in patent law.”⁸⁰ In addition to the Fourth Circuit, the Fifth,⁸¹ Ninth,⁸² and Third⁸³ Circuits have all recognized the validity of the copyright misuse defense.⁸⁴

The Fourth Circuit examined the doctrine of patent misuse to conclude that the defense of copyright misuse was a necessary limit on the behavior of copyright owners.⁸⁵ The court explained that, whereas “copyright law seek[s] to increase the store of human knowledge and arts by rewarding . . . authors with the exclusive rights to their works for a limited time . . . the granted monopoly power does not extend to property not covered by the . . . copyright.”⁸⁶ Courts have traditionally found misuse in situations where the copyright owner has entered into anticompetitive licensing agreements⁸⁷ or where the copyright owner has engaged in other contracting behavior that comes close to antitrust violations. Recently, however, courts have begun to embrace a broader misuse doctrine encompassing a wider range of behavior that may violate the public policy that animates copyright law. To understand the evolution of the misuse

⁸⁰ *Id.* at 973.

⁸¹ *Alcatel USA, Inc.*, 166 F.3d at 793-794; *DSC Communications Corp. v. DGI Techs., Inc.*, 81 F.3d 597, 601 (5th Cir. 1996).

⁸² *Practice Mgmt. Info. Corp. v. AMA*, 121 F.3d 516 (9th Cir. 1997).

⁸³ *Video Pipeline, Inc. v. Buena Vista Home Entm’t, Inc.*, 342 F.3d 191 (3d Cir. 2003).

⁸⁴ Other Circuits have also discussed the doctrine. *See, e.g.*, *Data General Corp. v. Grumman Systems Support Corp.*, 36 F.3d 1147 (1st Cir. 1994).

⁸⁵ *See Lasercomb*, 911 F.2d 970 (4th Cir. 1990).

⁸⁶ *Id.* at 976.

⁸⁷ *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 793-794 (5th Cir. 1999).

doctrine it is necessary to begin with the patent misuse doctrine.

B. Copyright Misuse – the Antitrust Approach

The Supreme Court’s opinion in *Morton Salt Co. v. G.S. Suppiger Co.*⁸⁸ is the fountainhead of the patent misuse doctrine.⁸⁹ The Morton Salt Company owned a patent on a salt-depositing machine, the operation of which required salt tablets.⁹⁰ The salt tablets were not within the scope of the patent.⁹¹ Morton’s patent licenses required licensees to use salt tablets produced by Morton. The Supreme Court held that it would not aid Morton by enforcing its patent.⁹² The Court held that the public policy that permits the grant of monopolies for inventions “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.”⁹³ *Morton Salt* involved a “tying arrangement” – requiring purchase of an unpatented item as a condition of obtaining the patented invention.⁹⁴ Following *Morton Salt*, courts have found patent misuse most often with tying arrangements or other anticompetitive activity that coincide with the types of activities that antitrust laws are designed to regulate.⁹⁵

The Fourth Circuit’s decision in *Lasercomb* represents the beginning of the copyright

⁸⁸ 314 U.S. 488 (1942).

⁸⁹ *Id.* at 490-491.

⁹⁰ *Id.* at 491.

⁹¹ *Id.*

⁹² *Id.* at 494.

⁹³ *Morton Salt*, 314 U.S. at 492.

⁹⁴ *Id.* at 491.

⁹⁵ See DONALD S. CHISUM, CHISUM ON PATENTS § 19.04 (2001).

misuse defense.⁹⁶ In that case, the Fourth Circuit held that a clause in a software license agreement that prevented the licensee from developing its own software constituted a misuse of copyright.⁹⁷ The court found that the restrictive clause would suppress attempts by licensees to “independently implement the idea which” the software expressed.⁹⁸ Copyright only protects the expression of the idea, not the idea itself. Thus Lasercomb’s license agreement sought to obtain, through contract, protection for the unprotectable idea.⁹⁹ In its concluding paragraph on misuse, the court tied its finding of copyright misuse to the anticompetitive nature of the licensing clause rather than to a more fundamental violation of the public policy of the copyright laws, noting that “the analysis necessary to a finding of misuse is similar to but separate from the analysis necessary to a finding of antitrust violation.”¹⁰⁰

The anticompetitive clauses that gave rise to the early cases recognizing both patent misuse and copyright misuse fed an understanding that the misuse doctrine is only targeted at behavior that violates the antitrust laws or at least that comes close to violating those laws. In a case addressing the enforceability of a clause in a license prohibiting the licensee from challenging the validity of the copyright, Judge Posner looked to misuse principles to determine

⁹⁶ Even the Fourth Circuit recognized that copyright misuse had been discussed by other courts. *Lasercomb*, 911 F.2d at 976. One court had even accepted the assertion of the defense to bar the plaintiff’s claim of copyright infringement. *M. Witmark & Sons v. Jensen*, 80 F. Supp. 843 (D. Minn. 1948) *appeal dismissed*, 177 F.2d 515 (8th Cir. 1949).

⁹⁷ *Lasercomb*, 911 F.2d at 970.

⁹⁸ *Id.* at 978.

⁹⁹ Additionally, the period for which this anticompetitive restraint purported to extend was ninety-nine years, which, the court emphasized could be longer than the life of the copyright itself. *Id.*

¹⁰⁰ *Id.* at 979.

that the clause was enforceable. In referring to the misuse case law, Posner implied that a misuse doctrine not tied to antitrust principles could have disastrous consequences:

If misuse claims are not tested by conventional antitrust principles, by what principles shall they be tested? Our law is not rich in alternative concepts of monopolistic abuse; and it is rather late in the day to try to develop one without in the process subjecting the rights of patent holders to debilitating uncertainty.¹⁰¹

From the beginning, however, courts have recognized that misuse of copyrights encompasses more than just antitrust violations. This broader understanding of misuse is appropriate given the misuse doctrine's equitable underpinnings. Additionally, if an antitrust violation is necessary before a copyright owner will be guilty of misuse, the misuse doctrine adds little to the law.¹⁰² *Lasercomb* itself was clear on this point; in determining whether there has been a misuse of copyright, "[t]he 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 copyright."¹⁰³ Even the Supreme Court's opinion in *Morton Salt* recognized that because the misuse doctrine was based in equity, courts "may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest."¹⁰⁴ Recently, Judge Posner has also acknowledged that the resulting redundancy of misuse and antitrust law, if that were all that misuse encompassed, is as a basis for

¹⁰¹ *Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191, 1200 (7th Cir. 1987) (quoting *USM Corp. v. SPS Techs., Inc.*, 694 F.2d 505, 512 (7th Cir. 1982)).

¹⁰² *See Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 350 F.3d 640 (7th Cir. 2003).

¹⁰³ *Lasercomb*, 911 F.2d at 978.

¹⁰⁴ *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 492 (1942).

“applying copyright misuse beyond the bounds of antitrust.”¹⁰⁵

C. A More Robust Misuse Doctrine – the Public Policy Approach

While the public policy rationale for the misuse doctrine was present from the doctrine’s earliest recognition by the courts, only recently have courts been willing to recognize behavior beyond that similar to antitrust violations as a misuse of copyright.¹⁰⁶ Courts have begun to embrace the public policy nature of this equitable defense.¹⁰⁷ In these more recent cases, the courts have determined that the test is not whether there have been antitrust violations, or even activities similar to antitrust violations, but whether “plaintiff’s use of his or her copyright violates the public policy embodied in the grant of a copyright”¹⁰⁸ This more robust misuse doctrine has the potential to reform copyright owners’ contracting behavior because of the serious downside risk of misusing one’s copyright: the inability to enforce the rights granted by the federal Copyright Act.¹⁰⁹

¹⁰⁵ *WIREDATA*, 350 F.3d at 647. This acknowledgment is particularly surprising in light of Judge Posner’s earlier statement in *Saturday Evening Post*, 816 F.2d at 1200.

¹⁰⁶ 1 HERBERT HOVENKAMP ET AL., *IP AND ANTITRUST: AN ANALYSIS OF ANTITRUST PRINCIPLES APPLIED TO INTELLECTUAL PROPERTY LAW* § 3.4b1 (Aspen 2002).

¹⁰⁷ Courts have articulated these two approaches to misuse as the “antitrust approach” and the “public policy” approach. *See, e.g.*, *In re Napster, Inc. Copyright Litig.*, 191 F. Supp. 2d 1087, 1103 (N.D. Cal. 2002).

¹⁰⁸ *Id.* at 1103.

¹⁰⁹ Professor Reichman and Franklin argued that unless the misuse doctrine was reinforced, it “would not adequately sensitize courts to the kind of public-interest concerns familiar from classical intellectual property laws . . . that mass contractual transactions in information goods . . . seem likely to raise.” Reichman & Franklin, *supra* note 3, at 925. These recent cases, decided after Reichman and Franklin wrote their article, may indicate the courts’ willingness to engage in the kind of reinforcement necessary. Sensitizing the courts to the public-interest concerns is the subject addressed in Part IV, *infra*.

Some of the cases embracing the more expansive “public policy” approach have done so in the context of licenses that are attempting to restrict competition. The courts in these cases have not examined the market power of these copyright owners or the actual effect on competition that would be necessary to determine if an antitrust violation has occurred.¹¹⁰ However, the activities that these courts have found to constitute misuse are competition-restricting. For example, the Ninth Circuit determined that it was misuse for a copyright owner of a coding system for medical procedures to require the Federal Health Care Financing Administration not to use any other coding system and to require the agency to use its powers as a regulatory body to require the use of the copyrighted code.¹¹¹ The Fifth Circuit has also found misuse based on a competition restricting license agreement without requiring proof of market power.¹¹² A recent summary of the case law by Judge Patel in the Northern District of California concluded that the public policy approach to copyright misuse, although separate from the antitrust approach, relies “on antitrust principles or language to some degree.”¹¹³ Judge Patel made this conclusion relying on a law review article that argues that the antitrust approach to misuse is similar to *per se* violations of antitrust law, while the public policy approach to misuse is similar to the rule of reason analysis in antitrust law.¹¹⁴ Following this vision of the misuse

¹¹⁰ *Practice Mgmt. Info. Corp. v. AMA*, 121 F.3d 516, 520 (9th Cir. 1997) (holding that Practice Management “need not establish an antitrust violation.”); *see also, Napster*, 191 F. Supp. 2d at 1103-1104 (discussing cases).

¹¹¹ *Practice Mgmt. Info. Corp.*, 121 F.3d at 516.

¹¹² *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 793-794 (5th Cir. 1999).

¹¹³ *Napster*, 191 F. Supp. 2d at 1103.

¹¹⁴ *See* Brett Frischmann & Dan Moylan, *The Evolving Common Law Doctrine of Copyright Misuse: A Unified Theory and Its Application to Software*, 15 BERKELEY TECH. L.J.

doctrine, when a court is using the public policy approach to copyright misuse a court should “ask whether the activity as a whole promotes or restricts competition.”¹¹⁵ This focus on anticompetitive clauses is unnecessarily limiting of the public policy approach to misuse.

In other cases courts are beginning to find misuse completely outside of licensing agreements that have, or can have, competition restricting effects. The Seventh Circuit has acknowledged that sometimes even a suit for copyright infringement may itself constitute misuse.¹¹⁶ Writing for the court, Judge Posner noted “that for a copyright owner to use an infringement suit to obtain property protection . . . that copyright law clearly does not confer, hoping to force a settlement or even achieve an outright victory over an opponent that may lack the resources or the legal sophistication to resist effectively, is an abuse of process.”¹¹⁷ In that case, the court held that the plaintiff was attempting to use copyright law to block access to data that was neither copyrightable nor copyrighted and that was not even created or obtained by the copyright owner.

To date, the broadest reading of the misuse doctrine has come from the Third Circuit in a case addressing contractual prohibitions on critical speech. In *Video Pipeline, Inc. v. Buena Vista Home Entm’t, Inc.*,¹¹⁸ the exclusive licensee of Disney films accused Video Pipeline of

865, 898 (2000).

¹¹⁵ *Napster*, 191 F. Supp. 2d at 1103 n.10.

¹¹⁶ *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 350 F.3d 640, 647 (7th Cir. 2003).

¹¹⁷ *Id.*

¹¹⁸ 342 F.3d 191 (3d Cir. 2003).

infringing the copyrights in movies owned by Disney and its subsidiaries¹¹⁹ when Video Pipeline streamed movie trailers in connection with its on-line businesses.¹²⁰ Video Pipeline argued the court should refuse to grant the requested injunctive relief because Disney had misused its copyrights by licensing movie trailers with restrictions on commentary critical of Disney. Specifically, in order to become an authorized distributor of Disney movie trailers, the license agreements provided that licensees' web sites that offered the authorized trailers:

may not be derogatory to or critical of the entertainment industry or of [Disney] . . . or of any motion picture produced or distributed by [Disney] . . . [or] of the materials from which the Trailers were taken or of any person involved with the production of the Underlying Works. Any breach of this paragraph will render this license null and void and Licensee will be liable to all parties concerned for defamation and copyright infringement, as well as breach of contract.¹²¹

Because Video Pipeline was not a party to a license covering on-line activity, the enforceability of this clause was not before the court. Instead, these licensing provisions were asserted by Video Pipeline as evidence of Disney's misuse of its copyrights.

Acknowledging that the misuse doctrine is grounded in the recognition that licensing practices can undermine the constitutional goal of copyright, which is "to stimulate artistic

¹¹⁹ Defendant Buena Vista held exclusive licenses to distribute Defendant Miramax and Walt Disney Pictures and Television home videos. Buena Vista, Miramax, and Walt Disney Pictures and Television are all subsidiaries of The Walt Disney Co. The court referred to the defendants collectively as "Disney." *Id.* at 194 n.1.

¹²⁰ Video Pipeline had received a license only to distribute those trailers off-line. Video Pipeline also streamed clip previews of Disney movies that Video Pipeline created by copying approximately two minutes from different movies and placing them into its database for streaming. *Id.* at 195.

¹²¹ *Id.* at 203.

creativity for the general public good,”¹²² the Third Circuit noted that “it is possible that a copyright holder could leverage its copyright to restrain the creative expression of another without engaging in anti-competitive behavior”¹²³ The Third Circuit held that “[a] copyright holder’s attempt to restrict expression that is critical of it (or of its copyrighted good, or the industry in which it operates, *etc.*) may, in context, subvert – as do anti-competitive restrictions – a copyright’s policy goal to encourage the creation and dissemination to the public of creative activity.”¹²⁴

The potential of rulings such as *Video Pipeline* to dampen copyright owners’ desires to overreach in their license agreements represents a positive development in the interpretation of the misuse doctrine. While in the context of the particular license agreement before the court, the Third Circuit concluded that no misuse had occurred, a conclusion that is discussed below,¹²⁵ the Third Circuit’s acceptance of a broad copyright misuse doctrine, informed by public policy beyond antitrust concerns, should give copyright owners pause when considering the insertion of restrictive licensing terms. This pressure on copyright owners to assure that their license agreements do not restrict critical expression may act as a counterweight to recent expansions of copyright owners rights.

The trend towards a more robust misuse doctrine may parallel the expansion of rights

¹²² *Id.* at 204 (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 432 (1984)).

¹²³ *Id.*

¹²⁴ *Id.*

¹²⁵ *See infra* section IV.C.

afforded copyright owners.¹²⁶ The patent misuse doctrine experienced a similar rise in popularity as the courts became more hostile towards patent owners and a parallel decline in the doctrine's popularity when patents began to be in favor again.¹²⁷ Recent expansion of copyright owners' rights and the remedies granted to copyright owners, including strengthening the criminal infringement provisions,¹²⁸ may be resulting in a backlash in the form of a more robust misuse doctrine. And this would be entirely proper. As the rights of copyright owners become more powerful, it is appropriate for courts, using their equitable powers, to place more burdens on the exercise of those rights to minimize the risk of abuse of those powerful rights.¹²⁹

D. The Benefits of Using Misuse to Reform Contracting Behavior

The misuse doctrine is a tool for shaping the contracting behavior of intellectual property owners.¹³⁰ Separate from doctrines that might invalidate the clauses that attempt to overreach, a copyright misuse doctrine that encompasses a broader range of contractual provisions provides

¹²⁶ See Loren, *supra* note 22, at 837-39.

¹²⁷ See Dan L. Burk, *Anticircumvention Misuse*, 50 UCLA L. REV. 1095, 1117 (2003). In the patent field the hostility towards patents resulted in both an increased willingness on the part of the courts to find patent misuse and resistance to legislative increase in patent rights. Unlike patents, however, recent legislative movement in the field of copyright has increased the rights of copyright owners and the remedies and sanctions for infringing conduct. See *id.* at 1117-18, 1124-27.

¹²⁸ See Loren, *supra* note 22.

¹²⁹ As similar strengthening of patent rights may be leading to a parallel resurgence in the use of the patent misuse doctrine. See, e.g., Janice M. Mueller, *Patent Misuse Through the Capture of Industry Standards*, 17 BERKELEY TECH. L.J. 623 (2002) (arguing that it is patent misuse for a patent owner to seek to promote their patented technology as an industry standard).

¹³⁰ See Note, *Clarifying the Copyright Misuse Defense: The Role of Antitrust Standards and First Amendment Values*, 104 HARV. L. REV. 1289 (1991) [hereinafter *Clarifying the Copyright Misuse Defense*].

several beneficial effects.

1. Procedural posture in which misuse is raised.

The assertion that a copyright owner has misused her copyright occurs in the context of an infringement action. Raised as a defense, misuse may be addressed in situations where the enforceability of the overreaching contract clause itself need not be directly at issue.¹³¹ In fact, the misuse defense can be raised by a defendant accused of infringement that is not even a party to the contract that contains the overreaching clause.¹³² As a result, the misuse doctrine can provide an important policing tool for contracting behavior. Without recognizing these clauses as constituting potential misuse of copyrights, courts may have few opportunities to address these clauses because copyright owners may be less likely to actually assert a breach of contract claim based on a violation of one of these more egregious terms. Copyright owners may hesitate to bring enforcement actions for fear that a declaration of invalidity will have a greater negative effect than any particular breach, preferring instead the residual *in terrorem* effect. This reliance on the *in terrorem* effect of potentially unenforceable contract provisions is similar to the Seventh Circuit’s recent recognition of the misuse doctrine to curb a copyright owner’s use of copyright rights to obtain a “victory over an opponent that may lack the resources or the legal sophistication to resist effectively”¹³³

2. Misuse results in temporary unenforceability of the copyright.

¹³¹ See *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 973 (4th Cir. 1990) (holding that “the defense of copyright misuse is available even if the defendants themselves have not been injured by the misuse.”).

¹³² See, e.g., *Practice Mgmt. Info. Corp. v. AMA*, 121 F.3d 516, 520 (9th Cir. 1997).

¹³³ *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 350 F.3d 640, 647 (7th Cir. 2003).

Upon finding misuse, courts refuse to enforce the copyright even if the defendant has not been subject to the purported misuse.¹³⁴ Thus, if the misuse doctrine were more widely embraced, copyright owners would be more hesitant to include provisions in their contracts that might be viewed as misuse because of the risk to the enforceability of their copyrights. Misuse is also a good doctrine to use to reform contracting behavior because a finding of misuse does not irrevocably invalidate plaintiff's copyright. Indeed, the court in *Lasercomb* specified that “[plaintiff] is free to bring a suit for infringement once it has purged itself of the misuse.”¹³⁵

The mere threat of a misuse finding should cause some reformation of contracting behavior. The downside risk of a finding of misuse would be that an infringer will be permitted to escape liability and the court's assistance in the enforcement of the copyright will be withheld from a copyright owner. The fact that an infringer who need not be affected by the alleged misuse may be permitted to escape liability may make the courts hesitate to find misuse.¹³⁶ Instead, courts should acknowledge the role of permitting infringers to escape liability in driving home the importance for copyright owners to remain within the bounds of the rights granted by the Copyright Act in their contracting behavior. Copyright owners would then be forced to weigh the benefits of including overreaching clauses in their contracts, both in terms of the ultimate enforceability of such clauses as well as their *in terrorem* effect, against the risks of the unenforceability of their copyrights against infringers.

Relying on misuse to shape contracting behavior will have little effect on content owners

¹³⁴ See *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 494 (1942).

¹³⁵ *Lasercomb*, 911 F.2d at 979 n.22.

¹³⁶ Some have argued that misuse should constitute a separate cause of action. See Burk, *supra* note 127.

who are distributing content that is not subject to copyright protection. For these content owners, the threat of misuse is meaningless. They have no copyrights to not be enforced. However, these content owners are not using the federally sanctioned monopoly of the copyright as leverage to obtain agreement to contracts that contain restrictions on users' behaviors. While provisions in these content owners' contracts that purport to restrict critical commentary concerning the company may pose equally disturbing potentials for a democratic society, the fate of those agreements is entirely in the hands of a court dealing with a cause of action for breach.¹³⁷ Additionally, given the low threshold of originality required to be eligible for copyright protection,¹³⁸ the extremely long duration of copyright protection,¹³⁹ and the utter lack of formalities to obtain such protections, the category of content owners that distribute material that is completely devoid of copyright protection is minimal.¹⁴⁰

3. *The equitable power of the courts.*

As an equitable doctrine, misuse is subject to interpretation and revision by the courts.

¹³⁷ It may be possible for these types of contracts to be the subject of affirmative claims. *See, e.g.,* The Bureau of National Affairs, Inc., *supra* note 11.

¹³⁸ *See* Feist Publ'ns., Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 359 (1991).

¹³⁹ For works created after January 1, 1978, copyright protection last for the life of the author plus 70 years. *See* 17 U.S.C. § 302 (2001). For works created prior to that date, copyright protection can last for up to 95 years from publication of the work. *See* 17 U.S.C. § 304.

¹⁴⁰ For example, Westlaw is often cited as largely a collection of works, case opinions and statutes, that are in the public domain. The Westlaw databases also contain plenty of copyrighted material, both licensed from others, such as the publishers of journals included in the Westlaw database, and created by the West Publishing Company, such as case summaries and keynote entries. *See* Matthew Bender & Co., Inc. v. West Publ'g Co., 158 F.3d 674 (2d Cir. 1998) (discussing which aspects of the West Reporter Series are copyrightable). One contract governs a user's access to the Westlaw service, whether an individual accesses copyrighted material or public domain information. Often producers of works that are not subject to copyright protection have aspects of their products that are copyrightable, such as search engine software.

This flexibility permits courts to adjust the doctrine to fit the situations that may arise without need for legislative enactment. Copyright owners may argue that such doctrines lack bright lines and therefore provide little guidance as to permissible contracting behavior. Admittedly, the misuse doctrine may require that the copyright owners steer far clear of inserting clauses that may constitute misuse, but such pressure on contracting behavior is necessary to combat the increased scope and strength of the rights granted to copyright owners. As an equitable doctrine, if the rights of copyright owners were, in the future, to become weaker, the courts could adjust the situations in which the misuse doctrine applies to reflect the threat that copyright owners' contracting behavior poses to the ultimate goal of copyright law: the promotion of progress in knowledge and learning.

IV

A Rebuttable Presumption of Misuse

A. Triggering a Presumption of Misuse

Which clauses are sufficiently overreaching to merit a finding of misuse? In developing a test courts should be guided by the underlying purpose of copyright law as well as the specific provisions of the Copyright Act. As described earlier, the Copyright Act subjects the rights granted by the Copyright Act to limitations spelled out in 16 separate sections.¹⁴¹ When a copyright owner attempts to secure the abandonment of one of those limits, through a clause in a shrinkwrap or clickwrap contract, such clause is a prime candidate for a misuse finding. Clauses that seek to avoid the express limits on a copyright owner's rights should trigger a rebuttable

¹⁴¹ See 17 U.S.C. §106.

presumption of misuse.¹⁴²

Some limitations on the copyright owners' rights contained in the Copyright Act are quite specific. For example, section 117 permits the owner of a lawful copy of a computer program to make a copy of the program for archival purposes.¹⁴³ If a shrinkwrap or clickwrap agreement sought to prohibit the making of such archival copies, a court should presume that this contract clause constitutes a misuse of copyright. Similarly, a presumption of misuse should apply to a contractual clause prohibiting the classroom display of a lawfully made copy of a copyrighted work by teachers in the course of face-to-face teaching activities of a nonprofit educational institution, such use being expressly permitted by section 110 of the Copyright Act.¹⁴⁴ There are many other examples of specific limitations on copyright owners' rights contained in sections 108 through 122. Contractual provisions that seek to avoid those limits should create a rebuttable presumption of misuse.

Other limits in the Copyright Act are not as predictable in application, with fair use being the most notorious. While codified in section 107 of the Copyright Act, fair use is supposed to

¹⁴² Determining which clauses should be targeted is the most difficult aspect of the proposal outlined in this Article. Others have approached the question of what portions of the Copyright Act copyright owners should be permitted to vary through private contracting. *See, e.g.,* Margaret Jane Radin, *Regime Change in Intellectual Property: Superseding the Law of the State with the Law of the Firm*, U. OF OTTAWA L. AND TECH. J. (forthcoming), at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=534024 (last visited July 19, 2004).

¹⁴³ 17 U.S.C. §117(a)(2). That section also permits a copy to be made if the copy is created as an "essential step in the utilization of the computer program . . ." 17 U.S.C. § 117(a)(1).

¹⁴⁴ 17 U.S.C. §110(1).

be determined by a court on a case-by-case basis with no bright lines rules.¹⁴⁵ The statute merely establishes factors that a court should consider in making the determination concerning fair use.¹⁴⁶ Thus, determining whether a specific clause in an agreement seeks to avoid the fair use limits placed on a copyright owner's rights may be more difficult than identifying clauses that seek to avoid limitations codified elsewhere in the Copyright Act. However, if a shrinkwrap or clickwrap clause purports to limit activity that a majority of courts have found to be fair use, that clause should also trigger a presumption of misuse.

Commentators have recognized the interplay between fair use and misuse, particularly in the context of computer programs.¹⁴⁷ “[T]he fair use inquiry directs the courts attention to the social value of the defendant’s conduct rather than the social harm caused by the plaintiff’s use of its copyright.”¹⁴⁸ Fair use represents the “breathing space within the confines of copyright law”¹⁴⁹ that seeks to avert the social harm that can flow from overly restrictive copyright rights. Social harm can flow from overly restrictive contracting as well and simply refusing to enforce those

¹⁴⁵ See *Campbell v. Acuff-Rose Music*, 510 U.S. 569 (1994); *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985).

¹⁴⁶ Indeed, the four statutory fair use factors are introduced with the word “including”, 17 U.S.C. § 107, which is expressly defined in the statute to be “illustrative and not limitative,” 17 U.S.C. § 101, thus courts may examine other factors outside those provided for in section 107.

¹⁴⁷ See *Clarifying the Copyright Misuse Defense*, *supra* note 130; Ralph D. Clifford, *Simultaneous Copyright and Trade Secret Claims: Can the Copyright Misuse Defense Prevent Constitutional Doublethink?*, 104 DICK. L. REV. 247 (2000); Karen E. Georgenson, Note, *Reverse Engineering of Copyrighted Software: Fair Use or Misuse?*, 5 ALB. L.J. SCI. & TECH. 291 (1996); Marshall Leaffer, *Engineering Competitive Policy and Copyright Misuse*, 19 U. DAYTON L. REV. 1087 (1994); James A.D. White, *Misuse or Fair Use: That is the Software Copyright Question*, 12 BERKELEY TECH. L.J. 251 (1997).

¹⁴⁸ *Clarifying the Copyright Misuse Defense*, *supra* note 130, at 1306.

¹⁴⁹ *Campbell*, 510 U.S. at 579.

contracts does not sufficiently deter that contracting behavior. Thus, a court should not hesitate to find that a contract clause that seeks to prohibit uses that courts generally recognize as fair use triggers a presumption of misuse of copyright.¹⁵⁰

Criticism of a copyrighted work is one type of use that courts routinely find to be a fair use, so long as no more of the copyrighted work is copied than is necessary for the criticism to be effective. A contractual clause prohibiting criticism of a copyrighted work, or prohibiting the disclosure of any product testing, is a clear example of a clause that seeks to avoid a limitation on the rights granted to copyright owners. In part, criticism is a favored use and therefore more likely to be found a fair use because of the positive effects in society provided by the ability to engage in such criticism. This value to society should not be overridden by copyright owners using the power of the federally sanctioned copyright monopoly to extract a contractual promise to not engage in critical speech concerning the copyrighted work. Finding such clauses presumptively to be misuse will cause copyright owners to hesitate before including such provisions in their contracts. Additionally, misuse may play a “role in defusing potential constitutional conflicts”¹⁵¹ that might arise if copyright owners could leverage a federal right into a speech restrictive tool.

In addition to contracts that seek to avoid the limits on copyright owners’ rights contained in sections 107 through 122, contracts that use the leverage of federal copyright rights to attempt to restrict the use of unprotected elements of the work, such as ideas or facts, by others should

¹⁵⁰ *But see*, Frischmann & Moylan, *supra* note 114, at 900-902. Frischmann and Moylan argue that courts should not use a nuanced balancing approach to the misuse inquiry when the role of misuse is to safeguard the policies underlying the copyright laws. *Id.*

¹⁵¹ Burk, *supra* note 127, at 1127.

also create a presumption of misuse. A foundational principle of copyright law in the United States is that copyright protects only the expression, it does not protect the idea expressed. This principle is codified in section 102 of the Act. While section 102 is not an express limit on the Section 106 rights granted to copyright owners (i.e., it is not embodied in sections 107 through 122), rather it is a limit on what can be copyrightable, misuse should be applied “when the plaintiff has improperly used its copyright power to restrain free trade in ideas.”¹⁵² As the enforceability of contracts protecting ideas are also important in dealing with Arrow’s disclosure paradox,¹⁵³ it is important to recognize that the presumption proposed here is a rebuttable one. Sometimes contracts that restrict the use of ideas not only will *not* constitute misuse, but they will also be fully enforceable as a matter of contract law.

At least two commentators have worried that “[w]hen courts formulate and apply misuse principles, whether based in equity or antitrust, they affect the statutory scheme created by Congress.”¹⁵⁴ The application of the misuse doctrine argued for in this Article would provide courts with an opportunity through the misuse doctrine not to alter the scheme that Congress has established, but rather to reaffirm the limited scope of rights granted by Congress in the Copyright Act and to prevent copyright owners from attempting to re-legislate their rights

¹⁵² *Clarifying the Copyright Misuse Defense*, *supra* note 130, at 1304. Case law has recognized contractual restraints on the use of ideas as a misuse of copyright. *See, e.g.*, *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990).

¹⁵³ *See* Kenneth J. Arrow, *Economic Welfare and the Allocation of Resources for Invention*, in *THE RATE AND DIRECTION OF INVENTIVE ACTIVITY* 609, 615 (National Bureau of Econ. Research ed., 1962).

¹⁵⁴ Frischmann & Moylan, *supra* note 114, at 872.

customer by customer.¹⁵⁵ Such an application of the misuse doctrine might be characterized as turning the Copyright Act into a form of consumer protection legislation, limiting freedom of contract.¹⁵⁶ However, because the presumption argued for in this article would be rebuttable, some contracting around the limitations would be permissible.¹⁵⁷ This Article next turns to exploring the arguments in favor of allowing of individuals to contract around the legislative scheme embodied in the Copyright Act.

B. Are Limitations on Copyright Owners Rights Alienable Rights Belonging to the Users of Copyrighted Works?

One approach to this issue is to consider the limitations on the rights granted to copyright owners contained in the Copyright Act as rights that belong to the users of copyrighted works.

¹⁵⁵ Cf. Burk, *supra* note 127, at 1116. Professor Burk notes that in the patent context, “private attempts to re-legislate the scope of a patent grant would constitute misuse, although it was the temporal scope of the grant – the statutory period of the patent – that could be precisely determined.” *Id.* Professor Burk describes how the holding in the case of *Brulotte v. Thys Co.* concerning patent misuse was followed in *Lear v. Adkins*, a case concerning the ability of patent holders to contractually prohibit licensees from challenging the validity of the patent, developed not as misuse cases but as preemption cases. *Id.* at 1116-17. Burk notes that “[t]he doctrine of misuse proper developed independently of the *Brulotte/Lear* line of cases.” *Id.* at 1117.

¹⁵⁶ Lemley, *supra* note 3 (citing Whit Diffie, Address at the American Committee for Interoperable Systems Meeting (Feb. 18, 1998)). To the extent that turning the Copyright Act into a form of consumer protection law preserves the ability of all users of copyrighted works to engage in behavior that further promotes progress, either through increased dissemination of works or increased production of new works, such characterization of the Copyright Act should be unobjectionable. See Julie E. Cohen, *Copyright and the Perfect Curve*, 53 VAND. L. REV. 1799 (2000) (exploring concepts of “progress” and arguing that copyright and contract policy need to take better account of the complexity and unpredictability in the creative process). Only if the interference with contracting freedom would result in a significant detriment to progress should we fear “copyright as consumer protection.”

¹⁵⁷ See *infra* section IV.C.

Indeed, some specific limitations are often referred to as “rights”: the fair use right.¹⁵⁸ A fundamental question in this inquiry is if a copyright owner may refuse to license his work, may he condition that license upon the relinquishment of these “rights” by users? If altering the limitations on the rights granted to copyright owners constitutes misuse, effectively those limitations, seen as “rights” of the users of copyrighted works, have been made inalienable.

Should the rights granted in the Copyright Act to users of copyrighted works, or purchasers of copies, be alienable? Granting alienable rights is, after all, what the copyright statute is all about. The rights provided to copyright owners are granted in return for creation of original works of authorship and the distribution of such works.¹⁵⁹ The grant of this marketable right provides an incentive for authors to invest in the creation of works of authorship, and for distributors of those works to engage in distribution with some assurance that they will be adequately compensated for their efforts.¹⁶⁰ If the Copyright Act also grants users certain rights and these rights have value, why should we not allow users to sell these rights, exchange them for lower prices on products, or other compensation? These “rights” clearly are of value;

¹⁵⁸ See, e.g., Pamela Samuelson, *Copyright and Freedom of Expression in Historical Perspective*, 10 J. INTELL. PROP. L. 319, 322 (2003).

¹⁵⁹ The Supreme Court has repeatedly recognized the utilitarian nature of copyright law. See *Feist Publ'ns., Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991); *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151 (1975). But see Thomas Nachbar, *Constructing Copyright's Mythology*, 6 THE GREEN BAG 37 (2002) (arguing against the “quid pro quo” model of copyright law).

¹⁶⁰ As Trotter Hardy has pointed out, creators and distributors of copyrighted works do not need absolute assurance that there will be no copying of their works, they merely need adequate assurance that copying will be limited. That assurance can come from many different sources. Trotter Hardy, *Property (And Copyright) in Cyberspace*, 1996 U. CHI. LEGAL F. 217, 220-28; but see Cohen, *supra* note 19, at 510, 547-49 (arguing that Professor Hardy's analysis is missing a critical element, namely the aspect of copyright law that permits certain uses of copyrighted expression without the copyright owner's consent).

Congress must have thought so, and thus included them in the copyright statute. Did Congress intend for these rights to be inalienable?

The rights granted to users of copyrighted works are part of a scheme of providing the optimal level of protection. Too much protection can result in monopolistic stagnation.¹⁶¹ Users' "rights" secured by the Copyright Act have the potential to further the goal of copyright, which is the progress of knowledge and learning. For example, the Act permits individuals to make mechanical copies of already recorded musical works,¹⁶² to engage in transformative use of copyrighted works that do not interfere with the market for the copyrighted work,¹⁶³ to resell or even give away copies of works to others,¹⁶⁴ to take photographs of protected architectural works,¹⁶⁵ to publicly perform and display copyrighted works in the classroom,¹⁶⁶ and to make many other uses of copyrighted expression.

It is difficult to see how making these use rights fully alienable would result in a more optimal level of the promotion of knowledge and learning. Perhaps there are copyright owners that would refuse to distribute their works without all users being willing, through contract, to reformulate the scope of rights granted by Congress. To these copyright owners, our courts

¹⁶¹ See *White v. Samsung Elecs. Am., Inc.* 989 F.2d 1512 (9th Cir. 1993) (en banc) (Kozinski, J., dissenting).

¹⁶² 17 U.S.C. § 115 (2001). These copies require compensation to the copyright owner, but the copyright owner does not have the authority to refuse to grant a license, thus constituting a compulsory license.

¹⁶³ This is through the fair use doctrine.

¹⁶⁴ 17 U.S.C. § 109.

¹⁶⁵ 17 U.S.C. § 113.

¹⁶⁶ 17 U.S.C. § 110(1).

should just say no.¹⁶⁷ Perhaps allowing individuals to contract away the limitations contained in the copyright statute would result in greater dissemination of copyrighted works, as more individuals could afford the reduced price that comes with contractual abandonment of the legislated limits on copyright owners rights. This assumes, however, that the contractual limits being employed by copyright owners are resulting in lower prices for copyrighted goods, an empirical fact that would be difficult for copyright owners to prove. Additionally, even if we assume that lower prices result from restrictive licensing and therefore individuals might then have greater access to those works, the ability of individuals to use what those works contain may be restricted by the contractual provisions.¹⁶⁸ Contractual restrictions that evade the limits Congress and the courts have already determined will best promote progress are impediments to achieving the goals of copyright.

That Congress did not expressly prohibit the alienability of the limitations placed on the rights of copyright owners could be construed to support the position that Congress intended these rights to be alienable. Congress has made other rights in the Copyright Act inalienable: the right to terminate a grant or a license¹⁶⁹ and the rights granted by the Visual Artist Rights Act are

¹⁶⁷ Tom Bell has argued that copyright owners should be free to opt out of the copyright system, choosing instead the protections that come from contract. Tom W. Bell, *Escape from Copyright: Market Success vs. Statutory Failure in the Protection of Expressive Works*, 69 U. CIN. L. REV. 741 (2001). Instead, what has been happening under current law is that copyright owners have been obtaining both the protection that the Copyright Act affords and the additional protections of restrictive contracting.

¹⁶⁸ See Cohen *supra* note 156.

¹⁶⁹ 17 U.S.C. § 203(a)(5).

both inalienable.¹⁷⁰ Congress did not include language expressly prohibiting transfers of the users “rights” that may be seen as embodied in the limitations on copyright owners rights. A closer look at the nature of the rights that Congress expressly provided were non-transferable reveals the drastically different nature of those provisions.

In the context of the termination of transfers provision, it is helpful to keep in mind the dynamics at play in the copyright system. At its most fundamental level, the Copyright Act concerns itself with three categories of “players”— authors of copyrighted works, subsequent copyright owners (assignees of the authors), and users of copyrighted works and of copies of those works.¹⁷¹ While the Copyright Act provides that initially the author of a copyrighted work is the owner of the copyright, the rights granted by copyright law are transferable.¹⁷² Thus, often it is the case that the copyright owner is an assignee from the author of a particular work. Large media industries, such as publishers, record companies, music publishers, television and motion picture studios, and software companies are generally the class of such subsequent assignee “copyright owners.”¹⁷³ The termination of transfer provision protects the class of “authors” from

¹⁷⁰ 17 U.S.C. § 106A. The rights granted to authors of works of visual art include the right to be identified as the author of the work, the right to prevent the destruction of the work if it is of recognized statute, and the right to prevent the modification of the work if such modification would harm the honor and reputation of the author. These rights are “may not be transferred” but they may be waived. 17 U.S.C. § 106A(e)(1).

¹⁷¹ A central aspect of the Copyright Act is distinguishing between the rights in the copyrighted work and rights in “copies” of the copyrighted works. Copies are defined as the material objects in which copyrighted works are fixed. 17 U.S.C. § 101.

¹⁷² 17 U.S.C. § 201.

¹⁷³ For some works, depending on the circumstances of the creation of the work the big media companies are also “authors” pursuant to the work made for hire doctrine 17 U.S.C. § 201(b). Under this doctrine an employer is not just the copyright owner, but also the “author” of works created by employees within the scope of their employment. *Id.* For definition of “work

the class of subsequent transferees – “copyright owners” – by allowing authors to terminate any assignment or license 35 years after it has been executed.¹⁷⁴ This right to terminate a grant is expressly inalienable. The inalienable rights embodied in the termination of transfer provision are rights granted to the authors of copyrighted works and their heirs to protect them from the subsequent transferees. Congress needed to make those rights of authors and authors’ heirs inalienable in order for those rights to be meaningful. If the right to terminate a transfer was alienable, then all initial transfers of copyright ownership would contain a clause that transferred the termination right to the transferee of the copyright, thereby avoiding the potential that the transfer could ever be terminated.¹⁷⁵ Thus Congress provided, “[t]ermination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.”¹⁷⁶

The second category of rights in the Copyright Act that are expressly non-transferable are

made for hire” see 17 U.S.C. § 101. It is also possible for the hiring party to be an “author” of a work created by an independent contractor if there is a written contract specifying the work is a work made for hire *and* the work is one of the following: *see id.* (definition of “work made for hire”).

¹⁷⁴ *See* Mary Lafrance, *Authorship and Termination Rights in Sound Recordings*, 75 S. CAL. L. REV. 375 (2002).

¹⁷⁵ *See id.* The need to expressly provide for the inalienability of the right to terminate a transfer of a copyright interest results from the fact that the provision concerns the rights between two parties that will already be subject to a contract – the transfer contract. If the right to terminate were alienable it is likely that it would become standard practice to include a provision transferring the termination right in any transfer agreement. The vast majority of limitations on copyright owner’s rights, such as fair use or the classroom teaching provisions, do not normally involve individuals that will be parties to an agreement. In fact, it is only because of the increased use of shrinkwrap agreements and the courts’ willingness to enforce those agreements as a matter of contract law that the alienable nature of these limitations on copyright owners’ rights needs to be addressed.

¹⁷⁶ 17 U.S.C. § 203(a)(5).

those granted by the Visual Artist Rights Act. These rights, known internationally as moral rights, protect authors' rights of attribution and integrity. As a result of the VARA, the author of a work of visual art¹⁷⁷ has the right to be identified as the creator of his or her work, and the right to prevent certain types of modifications, mutilations, distortions and destruction.¹⁷⁸ Unlike the core of economic rights granted to all copyright owners in section 106, moral rights are considered non-economic rights, protecting the personality of an artist that is embodied in a work of visual art. Under U.S. copyright law these personal rights are granted to creators of only a small minority of works eligible for copyright protection. As non-economic rights, moral rights are seen as personal to the author and thus making the rights non-transferable is logical. Despite their non-transferable nature, the moral rights that are recognized in the Copyright Act are

¹⁷⁷ A work of visual art is specifically, and narrowly defined by the statute: A “work of visual art” is—

(1) a painting, drawing, print or sculpture, existing in a single copy, in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author, or, in the case of a sculpture, in multiple cast, carved, or fabricated sculptures of 200 or fewer that are consecutively numbered by the author and bear the signature or other identifying mark of the author; or

(2) a still photographic image produced for exhibition purposes only, existing in a single copy that is signed by the author, or in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author.

A work of visual art does not include—

(A)(i) any poster, map, globe, chart, technical drawing, diagram, model, applied art, motion picture or other audiovisual work, book, magazine, newspaper, periodical, data base, electronic information service, electronic publication, or similar publication;

(ii) any merchandising item or advertising, promotional, descriptive, covering, or packaging material or container;

(iii) any portion or part of any item described in clause (i) or (ii);

(B) any work made for hire; or

(C) any work not subject to copyright protection under this title.

17 U.S.C. § 101.

¹⁷⁸ See 17 U.S.C. § 106A.

waivable.¹⁷⁹

In contrast to these two specific inalienable rights of authors, the “rights” granted to users are not similarly positioned. These rights arise not as an outright grant to a class of individuals, referred to in this Article as “users,” but instead are created as a limitations on the rights that are granted to copyright owners. Thus the failure of Congress to specify their inalienable nature should not be taken as an indication that Congress desired to permit the institution of contract to be used to entice individual users to restructure copyright policy through ubiquitous shrinkwrap and clickwrap contracts. These “rights”, if it is even appropriate to construe them as rights at all, are not personal, non-economic rights granted to a particular class of creative individuals that Congress desired to protect. Indeed, at the time the current Copyright Act was passed, no one envisioned a distribution technology that would permit copyright owners to effectively enter into contracts with potentially *all* users of their works.

It is undeniable that the “rights” of users have value. However, the value of most of the limitations on copyright owners rights are not values that are entirely captured by a particular user of a copyrighted work. Many of the uses permitted by the limits on copyright owners’ rights have positive externalities that are not internalized by users.¹⁸⁰ For example, one user of a software product may value her ability to post a critical review of that product on a website at x . Many others, however, gain value from that posted review, represented by y . The user posting the review is unlikely to consider y when determining the price at which she would be willing to

¹⁷⁹ *See id.*

¹⁸⁰ Lydia Pallas Loren, *Redefining the Market Failure Approach to Fair Use in an Era of Copyright Permission Systems*, 5 J. INTELL. PROP. L. 1, 26-27 & 48-53 (1997). For an excellent discussion of externalities in information markets generally, *see* Cohen, *supra* note 19, at 539-51.

contractually forfeit her ability to post that review. So long as the value she stands to gain by contractually forfeiting her ability to post her review is greater than x , rather than the full societal value of the posting of $x + y$, she is likely to enter into the bargain. As this example illustrates, if these limitations on copyright owners rights are seen as alienable rights belonging to users, it is likely that users will undervalue those rights, and thus contract them away for little or no additional consideration.¹⁸¹

C. Rebutting the Presumption of Misuse

The presumption of misuse created by clauses that seek to avoid the express limits on copyright owner rights contained in the statute or, in the case of fair use, the limits as generally interpreted by the courts, should be a rebuttable presumption. To rebut the presumption of misuse the copyright owner should be required to prove that enforcing the contract at issue would not likely lead to a significant reduction of the external benefits the Copyright Act is designed to ensure through the limitation the copyright owner is seeking to avoid. Only if this presumption is rebutted should the copyright owner be permitted to avoid the defense of misuse in an infringement action. Shifting the burden to rebut the presumption of misuse onto the copyright owner is the first step creating an effective deterrent against overreaching contracting behavior. Additionally, placing the burden of proof on the copyright owner instead of the defendant is appropriate because the copyright owner is a party to the contract whereas the defendant that has raised the misuse defense in an infringement action often is not a party to that contract.

When a copyright owner is attempting, through mass-scale adhesion contracting, to create a form of private legislation enforceable against all users, rebutting this presumption will be

¹⁸¹ Korobkin makes a similar point. *See* Korobkin *supra* note 55, at 1225.

difficult. If the overreaching term is contained in a clickwrap agreement, the copyright owner would need to show that the external benefits of the limitation contained in the Copyright Act remain achievable in some other way. For example, if a movie is distributed only on DVD with a clickwrap agreement displayed each time the DVD is played, a clause in that clickwrap agreement prohibiting the performance of that movie in the course of face-to-face teaching activities¹⁸² should trigger a presumption of misuse. If the only means of access to the work involves agreeing to the contractual restriction, the copyright owner should be unable to rebut the presumption of misuse.¹⁸³ The external benefits of the classroom teaching exception would have been eliminated in this situation and such contracting behavior is a misuse of copyright. Recognizing such contractual prohibitions as misuse will ultimately discourage their use and the *in terrorem* effect such provisions may have.

Consider a short movie available for viewing only over the internet and only pursuant to a clickwrap agreement that contains a clause prohibiting the publication of any critical reviews of the movie. If an individual who copies that movie is sued by the copyright owner for infringement, that individual would be able to assert misuse as a defense. The presumption of misuse would be triggered because the contract contains a clause that seeks to avoid the fair use

¹⁸²17 U.S.C. §110(1) permits the “performance or display of a work by instructors or pupils in the course of face-to-face teaching activities of a nonprofit educational institution, in a classroom or similar place devoted to instruction” 17 U.S.C. § 110(1).

¹⁸³The availability of the content in other media without contractual restrictions, such as in VHS format, would assist the copyright owner in rebutting the presumption. A similar rationale has been used by courts in addressing arguments concerning the constitutionality of the anticircumvention provisions of the Digital Millennium Copyright Act, codified at 17 U.S.C. §1201. For example, in *Universal City Studios, Inc. v. Corley*, 273 F.3d 429 (2d Cir. 2001), the court rejected the argument that fair use required the ability of users to reproduce portions of motion pictures from DVDs, noting that fair use does not “guarantee[] copying by the optimum method or in the identical format of the original.” *Id.* at 459.

limitation on the copyright owner's rights. Further, the copyright owner would be unable to rebut the presumption because there is no other way for individuals to obtain access to the work without encountering the contract with the offending term. The copyright owner is seeking to eliminate the external benefits of critical reviews that the Copyright Act's codification of fair use seeks to protect.

When the clause seeking to avoid the limitations of the Copyright Act is contained in an agreement that has been the subject of individual negotiation, the presumption proposed in this article would also be triggered, but rebutting the presumption would be an easier task. The copyright owner would need to prove that the clause is not likely, generally, to reduce the external benefits the statutory limitation seeks to ensure, even if the clause may prevent the other party to that agreement from engaging in an activity that the Copyright Act would otherwise allow. For example, a copyright owner might negotiate the sale of a unique piece of artwork and include in the contract for sale a clause that prohibited the resale of the artwork by the purchaser. Resale of a lawfully made copy of a copyright work is expressly permitted by section 109 of the Act.¹⁸⁴ If a third party then publishes a picture of the artwork the copyright owner could sue for infringement and the defendant could assert a misuse defense. The burden would be on the copyright owner to rebut the presumption of misuse triggered by the clause that seeks to avoid the limitations of the first sale doctrine, codified in section 109 of the Copyright Act. Major external benefits of the first sale doctrine include the wider distribution of copies of works allowing for greater numbers of individuals to learn from or experience a particular work and a prohibition on resale price maintenance by copyright owners. Explaining a plausible and

¹⁸⁴ 17 U.S.C. § 109.

credible justification for the insertion of the clause prohibiting resale into the particular sales agreement at issue could assist the court in evaluating the level of interference with the external benefits the limitation seeks to ensure.¹⁸⁵ For example, the copyright owner may have desired to keep track of who owned the artwork to facilitate the copyright owner's ability to exercise his rights as the copyright owner of the work,¹⁸⁶ or perhaps the copyright owner desired to know who to approach first in the case of any infringement as the purchaser would be the only person who could have permitted access to the copy that facilitated infringement. Shifting the burden to the copyright owner is more likely to produce relevant evidence concerning the justification for the clause at issue.

Video Pipeline provides another example of how the proposed presumption would be triggered and then appropriately rebutted. In that case the Third Circuit addressed a contractual provision contained in an agreement authorizing the on-line streaming of Disney movie trailers that prohibited commentary that was "derogatory to or critical of" any motion picture produced or distributed by Disney, Disney itself, or the entertainment industry generally, on the web site which displayed the trailers. The Third Circuit embraced the misuse doctrine in that case and recognized its potential applicability to such a speech restrictive clause, but held that the clause at issue did not constitute misuse. In concluding that this particular clause did not constitute

¹⁸⁵ This investigation into justification is also appropriate given the equitable nature of the misuse defense.

¹⁸⁶When a work exists in only a single copy owned by someone other than the copyright owner, courts have recognized an easement-like interest of the copyright owner to access the copy in order to exercise the rights of a copyright owner. *See, e.g., Cmty. for Creative Non-Violence v. Reid*, No. CIV.A.86-1507 (TPJ), 1991 WL 378209 (D.D.C. 1991) (recognizing an easement of necessity permitting the copyright owner to access a sculpture to make a master mold to facilitate three dimensional reproductions).

misuse, the court examined the likely effect this clause would have on the wide availability of such critical speech. First, the court looked specifically at the restriction, noting that the “license agreements do not . . . interfere with the licensee’s opportunity to express such criticism on other web sites or elsewhere.”¹⁸⁷ The restriction only applied to the web sites where the authorized trailers would be made available. Next, the court noted that many people would be able to engage in such criticism that were not bound by license agreements. These license provisions were contained in agreements that Disney entered into with specific web site operators authorizing the use of Disney’s copyrighted movie trailers. These were not licenses that bound the general public. The court concluded that finding misuse based on the provisions at issue in the types of agreements at issue would force Disney to have to license its copyrighted trailers “willy-nilly regardless of the content displayed with its copyrighted works.”¹⁸⁸ The court noted that “such an application of the misuse doctrine would likely decrease the public’s access to Disney’s works because it might as a result refuse to license at all online display of its works.”¹⁸⁹ Effectively, the court weighed the widespread availability of Disney products, restriction free, together with the limited context in which the restrictive clauses were used to conclude that those clauses did not constitute misuse.

Under the analysis proposed in this Article, the clause at issue in the *Video Pipeline* case would trigger a presumption of misuse and the copyright owner, in this case Disney and its affiliates, would have the burden of rebutting the presumption. Because the agreement that

¹⁸⁷ *Video Pipeline, Inc. v. Buena Vista Home Entm’t, Inc.*, 342 F.3d 191, 206 (3d Cir. 2003).

¹⁸⁸ *Id.*

¹⁸⁹ *Id.*

triggered the presumption of misuse was in an individually negotiated agreement, not a shrinkwrap or clickwrap agreement, and the work at issue was otherwise made available to other users that could access the trailer, the external benefits of the fair use right to criticize copyrighted expression would not be significantly reduced and the presumption would be rebutted.

Allowing the presumption of misuse to be rebutted will allow for some contracting around the limitations that the Copyright Act places on the copyright owners' rights. If an individually negotiated agreement includes a clause that avoids a limitation expressly contained in the statute, and the copyrighted work is available to others without that restriction, then the social harm of allowing the copyright owner to include such a clause in its agreement will not be as significant. Similar to the conclusion in the *Video Pipeline* case, to not allow for business partners to structure their relationships in logical ways may cause more of a restriction on the distribution of copyrighted works.

This is not to suggest that copyright owners will always be able to rebut the presumption of misuse for clauses contained in individually negotiated agreements. In fact, the cases that have found copyright misuse have involved clauses in such agreements.¹⁹⁰ Placing the burden on the copyright owner to rebut a presumption of misuse would, however, discourage copyright owners from attempting, even in individually negotiated agreements, to prohibit types of uses permitted by the Copyright Act that have external benefits that are unlikely to be internalized by

¹⁹⁰ See *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 978 (4th Cir. 1990) (noting the fact that the agreement was negotiable did “not negate the fact that Lasercomb [was] attempting to use its copyright in a manner adverse to the public policy embodied in copyright law, and that it has succeeded in doing so with at least one licensee.”). See also, *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772 (5th Cir. 1999); *Practice Mgmt. Info. Corp. v. AMA*, 121 F.3d 516 (9th Cir. 1997); *In re Napster, Inc. Copyright Litig.*, 191 F. Supp. 2d 1087 (N.D. Cal. 2002).

the party that has contracted away the right to engage in such uses.¹⁹¹ For example, in *Lasercomb* the contract that led to a finding of misuse prohibited a licensee of the copyright owner's work from adding to the storehouse of knowledge by creating new works that were based on unprotected elements of the copyrighted work. The ability to create those new works would have had some value to the licensee, but the court implicitly recognized the external benefits of a competitive marketplace and an expanding storehouse of knowledge which the contract in *Lasercomb* reduced. It is important to recognize that copyright owners may seek to restrict competition through individually negotiated licenses because those licensees may pose the greatest likelihood of creating competing products. Courts have already recognized these types of anticompetitive clauses as a basis for a finding of copyright misuse. Examining the copyright owners' justifications for these clauses can be informative in the equity-based misuse analysis. Requiring the copyright owner to explain those justifications is the appropriate party on whom to place that burden rather than placing the burden on the defendant in an infringement suit who was not a party to the contract.

Conclusion

Copyright owners are granted certain rights pursuant to the federal Copyright Act. The scope of those rights are defined not only by the grant of rights provision, but more specifically by the express statutory limitations placed on those rights contained in 16 separate sections of the Copyright Act. In the digital age, copyright owners are increasingly attempting to avoid those express limits on their copyright rights through the use of restrictive clauses in shrinkwrap and clickwrap agreements. Separate from the question of the enforceability of those restrictive

¹⁹¹ See Radin, *supra* note 142, at 9-22 (exploring which rights should be "waivable" using efficiency arguments).

provisions, the law should provide an incentive for copyright owners to not overreach in such shrinkwrap and clickwrap agreements because of the potential *in terrorem* effect such clauses may have on behavior, behavior that is expressly permitted under the Copyright Act. The doctrine of copyright is an appropriate vehicle to provide such an incentive to reform contracting behavior by copyright owners. Recognizing a presumption of misuse when copyright owners seek to avoid the limitations on their rights contained in the Copyright Act will encourage copyright owners to steer clear of attempts to “re-legislate” their rights through ubiquitous shrinkwrap and clickwrap agreements. At the same time, allowing for that presumption to be rebutted when a copyright owner can prove that the external benefits of the statutory limitation will not be significantly reduced would permit copyright owners to engage in legitimate business arrangements that do not effectively re-legislate their copyright rights.