

## INTELLECTUAL PROPERTY TYING ARRANGEMENTS: HAS THE MARKET POWER PRESUMPTION REACHED THE END OF ITS ROPE?

### INTRODUCTION

U.S. Patent No. 6,293,874 covers an apparatus for paddling one's own buttocks to amuse the user and viewers of the self-paddling.<sup>1</sup> If, as a condition of sale, the patent owner requires that buyers purchase the unpatented paddling boots from her, another boot dealer may have an antitrust claim against the patent owner for an illegal tying arrangement.<sup>2</sup> Because the machine is patented, the court would *presume* that the patent owner has market power,<sup>3</sup> making the case a slam-dunk for the boot dealer. This is hardly a fair result, because it is highly unlikely that the vast majority of patent holders have a market for their products, much less power within that market. It is illogical to presume market power based solely on the existence of a patent or other form of intellectual property protection.

Accordingly, in *Illinois Tool Works, Inc. v. Independent Ink, Inc.*, the U.S. Supreme Court unanimously eliminated the market power presumption in patent tying arrangement cases.<sup>4</sup> Should the presumption be spared in copyright and trademark tying cases?<sup>5</sup> If, as this

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1. User-Operated Amusement Apparatus for Kicking the User's Buttocks, U.S. Patent No. 6,293,874 (filed Jan. 4, 2000). The user stands on a platform, bends over, and rotates a crank that rotates a paddling wheel. *Id.* As the crank is turned, the user receives repeated blows to the buttocks from boots that are attached to the paddling wheel. *Id.*

2. *See, e.g.*, *Northern Pac. Ry. v. United States*, 356 U.S. 1, 5–6 (1958) (defining a tying arrangement as “an agreement by a party to sell one product but only on the condition that the buyer also purchases a different (or tied) product or at least agrees that he will not purchase that product from any other supplier”).

3. *Illinois Tool Works, Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 31 (2006) (“[I]f the Government has granted the seller a patent or similar monopoly over a product, it is fair to presume that the inability to buy the product elsewhere gives the seller market power.” (quoting *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2, 16 (1989))). Market power is the “ability to raise price by restricting output . . . without a total loss of sales.” 2 PHILIP E. AREEDA & HERBERT HOVENKAMP, *ANTITRUST LAW: AN ANALYSIS OF ANTITRUST PRINCIPLES AND THEIR APPLICATION* ¶ 501 (2d ed. 2004).

4. *Indep. Ink, Inc.*, 547 U.S. at 46.

5. Because it was a patent case, the Court's broad declaration that “in *all* cases involving a tying arrangement, the plaintiff must prove that the defendant has market power in the tying product” constitutes mere dicta with respect to copyright and trademark cases. *Id.* (emphasis added).

Comment proposes, copyrights and trademarks are more analogous to patents with respect to market power than copyrights and trademarks are to trade secrets, then the Court should also eliminate the presumption in those areas.

This Comment addresses the market power presumption in four types of intellectual property tying arrangements: patents, copyrights, trademarks, and trade secrets. Part II discusses each type of intellectual property tying arrangement<sup>6</sup> and the recent Supreme Court decision in *Independent Ink*.<sup>7</sup> Part III argues that copyright and trademark laws are sufficiently analogous to patent and trade secret laws to warrant abandoning the market power presumption for tying arrangements involving those forms of intellectual property.<sup>8</sup>

## II. BACKGROUND

This Part introduces the intersection between antitrust law and patent law and dispels common misconceptions thereof.<sup>9</sup> Next, it summarizes relevant law concerning tying arrangements in the antitrust and patent contexts, including the recent Supreme Court decision in *Independent Ink*.<sup>10</sup> Finally, it summarizes relevant law regarding tying arrangements in related areas of intellectual property: copyrights, trademarks, and trade secrets.<sup>11</sup>

### A. *The Intersection of Antitrust and Intellectual Property Law*

Scholars once believed—and now widely repudiate—that intellectual property law and antitrust law are at odds with one another.<sup>12</sup> Intellectual property law authorize patent, copyright, trademark, and

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6. The phrase “intellectual property” is sometimes used broadly to include any potentially valuable human product, such as ideas, inventions, discoveries, symbols, images, and expressive works. WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 1 (2003). But in this Comment, “intellectual property” refers only to those intellectual property rights granted by federal statute, state statute, or state common law. *Id.*

7. *Indep. Ink, Inc.*, 547 U.S. at 28; see *infra* notes 9–131 and accompanying text.

8. See *infra* notes 132–222 and accompanying text.

9. See *infra* notes 12–22 and accompanying text.

10. See *infra* notes 23–82 and accompanying text.

11. See *infra* notes 83–131 and accompanying text.

12. ANDREW I. GAVIL ET AL., *ANTITRUST LAW IN PERSPECTIVE: CASES, CONCEPTS AND PROBLEMS IN COMPETITION POLICY* 1110 (2002) (“Few courts or commentators today would embrace the view that intellectual property rights and antitrust principles are inherently antagonistic, but courts and commentators do disagree on the degree of intellectual property protection that is appropriate and necessary to spur innovation.”). Landes and Posner noted that “[a] consideration of the economics of intellectual property would be seriously incomplete without some discussion of the intersection between intellectual property law and antitrust law.” LANDES & POSNER, *supra* note 6, at 372.

trade secret “monopolies,”<sup>13</sup> which seem to offend antitrust principles.<sup>14</sup> The Supreme Court noted that it “has held many times that power gained through some natural and legal advantage such as a patent, copyright, or business acumen can give rise to liability if a seller exploits his dominant position in one market to expand his empire into the next.”<sup>15</sup>

But intellectual property and antitrust laws serve the same public purpose. Patent and copyright grants encourage and reward innovation and investment in the discovery and development of new technologies and artistic contributions.<sup>16</sup> Technological advances lead to

13. It is arguable that any form of intellectual property authorizes a “monopoly,” but it is perhaps more so with trademarks, as discussed *infra* notes 96–113. See also WILLIAM C. HOLMES, *INTELLECTUAL PROPERTY AND ANTITRUST LAW* § 1:2 (2007) (“A patent is commonly described as a ‘limited monopoly.’ Actually, this description is something of a misnomer. A patent is a monopoly only in the narrow sense that it creates an exclusive right . . . to make, use, import, offer to sell, and sell the patented invention.”).

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14. See, e.g., LANDES & POSNER, *supra* note 6, at 372. The old view that intellectual property conflicts with antitrust law is reflected in the famous “Nine No-No’s” of 1972, presented by Deputy Assistant Attorney General Bruce Wilson. David H. Marks, *Patent Licensing and Antitrust in the United States and the European Economic Community*, 35 AM. U. L. REV. 963, 968 (1986) (citing Bruce Wilson, Dep’t of Justice Luncheon Speech, Law on Licensing Practices: Myth or Reality? (Jan. 21, 1975)). The “Nine No-No’s” deemed the following practices unlawful:

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- (1) to require a licensee to purchase unpatented materials from the licensor; (2) for a patentee to require a licensee to assign to the patentee any patent which [may] be issued to the licensee after the licensing arrangement is executed; (3) to attempt to restrict a purchaser of a patent product in the resale of that product; (4) for a patentee to restrict his licensee’s freedom to deal in the products or services not within the scope of the patent; (5) for a patentee to agree with his licensee that he will not, without the licensee’s consent, grant further licenses to any other person; (6) as an extension of the patent grant to permit mandatory package licensing; (7) for a patentee to insist, as a condition of the license, that his licensee pay royalties in an amount not reasonably related to the licensee’s sales of products covered by the patent—for example, royalties on the total sales of products of the general type covered by the license patent; (8) for the owner of a process patent to attempt to place restrictions in his licensee’s sales of products made by the use of the patented process; (9) for a patentee to require a licensee to adhere to any specified or minimum price with respect to the licensee’s sale of the licensed products.

*Id.* at 968 n.24. The “Nine No-No’s” reflected the Antitrust Division’s understanding of the law on patent licensing restrictions. *Id.* at 968.

15. *Eastman Kodak Co. v. Image Technical Servs., Inc.*, 504 U.S. 451, 480 n.29 (1992) (internal quotation marks omitted). Professor Kurland commented on the Supreme Court’s view that patent law “monopolies” are in some cases contrary to the antitrust laws:

The legal monopoly that is conferred by patents and the illegal monopoly that is condemned by the national antitrust laws have provided the Supreme Court with the subject of some of its most noted opinions. . . . [One] side of the monopoly coin is to be found in the patent laws which validate rather than strike down monopoly power.

PHILIP B. KURLAND, *THE SUPREME COURT AND PATENTS AND MONOPOLIES* i, xi (1974).

16. See, e.g., U.S. CONST. art. I, § 8, cl. 8 (“The Congress shall have Power . . . [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”).

“new and better products, more choices to consumers, and higher productivity.”<sup>17</sup> Without the protections afforded to intellectual property, there would be little incentive for inventors to develop new products and processes or to market them to the general public, because they would be unable to reap the benefits of their investments.<sup>18</sup> Antitrust laws promote and protect a competitive marketplace, which benefits the public.<sup>19</sup> The 1995 Intellectual Property Guidelines (“the Guidelines”) set forth by the Department of Justice and the Federal Trade Commission recognize the commonality between the goals of intellectual property law and antitrust law:

The intellectual property laws and the antitrust laws share the common purpose of promoting innovation and enhancing consumer welfare. The intellectual property laws provide incentives for innovation and its dissemination and commercialization by establishing enforceable property rights for the creators of new and useful products, more efficient processes, and original works of expression. . . . The antitrust laws promote innovation and consumer welfare by prohibiting certain actions that may harm competition with respect to either existing or new ways of serving consumers.<sup>20</sup>

In addition to serving a common goal, intellectual property law and antitrust law work simultaneously, albeit in different ways, where necessary to achieve their goal. Intellectual property owners generally have the enforceable right to exclude others.<sup>21</sup> But antitrust law regulates abuses of the grant of exclusivity “[w]hen a patent owner uses

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First, patent law seeks to foster and reward invention; second, it promotes disclosure of inventions, to stimulate further innovation and to permit the public to practice the invention once the patent expires; third, the stringent requirements for patent protection seek to assure that ideas in the public domain remain there for the free use of the public.

Aronson v. Quick Point Pencil Co., 440 U.S. 257, 262 (1979); *see also* Abbott Labs. v. Brennan, 952 F.2d 1346, 1355 (Fed. Cir. 1991) (noting that the patent grant of exclusivity serves “as an incentive to invention, investment, and disclosure”).

17. Roger B. Andewelt, *Intellectual Property Antitrust: General Antitrust Principles*, in *INTELLECTUAL PROPERTY ANTITRUST* 9, 21 (Practicing L. Inst. 1998).

18. VON KALINOWSKI, *ANTITRUST LAWS AND TRADE REGULATION* § 72.01[1] (2d ed. 2004). At the same time, however, legal protection against copiers who have not borne the cost of creating the intellectual property prevents access to and use of the property by persons who value that access at more than the marginal cost but less than the actual price. *See* LANDES & POSNER, *supra* note 6, at 11.

19. *See, e.g.*, Standard Oil Co. v. United States, 221 U.S. 1 (1911); SCM Corp. v. Xerox Corp., 645 F.2d 1195 (2d Cir. 1981).

20. U.S. DEP’T OF JUSTICE & FED. TRADE COMM’N, *ANTITRUST GUIDELINES FOR THE LICENSING OF INTELLECTUAL PROPERTY* § 1.0 (Apr. 6, 1995) [hereinafter *ANTITRUST GUIDELINES*].

21. *See* ROBERT L. HARMON, *PATENTS AND THE FEDERAL CIRCUIT* 23 (7th ed. 2005) (“[T]he enforceability of restrictions on the use of patented goods derives from the patent grant, which is, in classical terms of property, the right to exclude.”).

patent rights not only as a shield to protect the invention, but as a sword to eviscerate competition unfairly.”<sup>22</sup>

### B. Tying Arrangements

A tying arrangement—or “tie-in”—is an agreement whereby a vendor sells a product or license subject to the condition that the purchaser agrees to buy another independent product.<sup>23</sup> Tying arrangements do not inherently violate antitrust laws.<sup>24</sup> Nevertheless, their exclusionary nature raises antitrust concerns: the arrangements force customers to buy a second product whenever they buy the first, thereby preventing that customer from purchasing the second product from a rival seller.<sup>25</sup>

Courts scrutinize such arrangements under the Sherman<sup>26</sup> and Clayton Acts<sup>27</sup> using a per se standard where: (1) the tied and tying products are “separate”; (2) an actual tie exists; (3) the party imposing the tie has sufficient economic power in the market for the tying product; and (4) a not insubstantial amount of commerce in the tied item has been affected by the tie.<sup>28</sup> Although courts have never found ties using a rule of reason analysis, this four-part per se rule functions like the rule of reason,<sup>29</sup> requiring the same vigorous market inquiry.<sup>30</sup>

22. *Id.*

23. *Northern Pac. Ry. v. United States*, 356 U.S. 1, 5–6 (1958); *Susser v. Carvel Corp.*, 332 F.2d 505, 512 (2d Cir. 1964). *See also* HOLMES, *supra* note 13, § 20:1 (“Patent owners frequently are interested not only in licensing the use of their patents, but in marketing related products and services as well, such as component parts used in a patented product or auxiliary services used to maintain the product.”).

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24. *See, e.g.*, *United States v. Microsoft Corp.*, 253 F.3d 34 (D.C. Cir. 2001); HOLMES, *supra* note 13, § 20:1 (2006) (“Such dual marketing activities are of course not inherently illegal and are a common business practice.”). *But see* *Standard Oil Co. v. United States*, 337 U.S. 293, 305–06 (1949) (“Tying agreements serve hardly any purpose beyond the suppression of competition.”).

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25. *See* 9 AREEDA & HOVENKAMP, *supra* note 3.

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26. 15 U.S.C. § 1 (2000).

27. § 14.

28. *See, e.g.*, *Eastman Kodak Co. v. Image Technical Servs., Inc.*, 504 U.S. 451, 480 n. 29 (1992); *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2 (1984); *Fortner Enters., Inc. v. U.S. Steel Corp. (Fortner I)*, 394 U.S. 495, 498 (1969); *United States v. Loew’s, Inc.*, 371 U.S. 38, 45 (1962); *Northern Pac. Ry. v. United States*, 356 U.S. 1, 6 (1958). The per se treatment of tying has its foundations in two early cases—*United Shoe Machinery Corp. v. United States*, 258 U.S. 451 (1922) and *International Business Machines Corp. v. United States*, 298 U.S. 131 (1936). The Court explicitly extended the per se rule to tying cases in *International Salt Co. v. United States*, 332 U.S. 392 (1947). In *Fortner I*, the Court set out the four-part test for determining the conditions under which the per se rule could be invoked. 394 U.S. at 498–507. “Tie-outs,” where a buyer or licensee agrees to refrain from dealing in the goods of a competitor of the seller or licensor, may also violate antitrust laws. *See, e.g.*, *United Shoe Mach. Corp.*, 258 U.S. at 457–58.

29. Courts generally analyze antitrust violations using either the rule of reason or a per se standard. *See* 7 AREEDA & HOVENKAMP, *supra* note 3, ¶¶ 1507–1508. Under the rule of reason,

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The Supreme Court noted that, under a rule of reason analysis, challengers would have to establish the overall competitive unreasonableness of the restraint within the tied or tying markets.<sup>31</sup> Such an analysis would focus on a “thorough examination of the purposes and effects of the practices involved” and how they impact competition in the overall market for the “tied” item.<sup>32</sup>

This confusing standard “incurs the costs of a rule of reason approach without achieving its benefits: the doctrine calls for the extensive and time-consuming economic analysis characteristic of the rule of reason, but then may be interpreted [by lower courts] to prohibit arrangements that economic analysis would show to be beneficial.”<sup>33</sup> However, the *Independent Ink* Court settled this confusion by eliminating the presumption completely.<sup>34</sup>

### C. Patent Tie-Ins

In patents tying arrangements,<sup>35</sup> “patent owners condition[ ] a license to use a patented combination, machine, or process upon the purchase of unpatented supplies or components [by the licensee].”<sup>36</sup> Arguably, such arrangements extend the economic impact of the patent beyond the statutorily granted area of monopoly<sup>37</sup> in that a patentee is able to use the economic power of the patented product to

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courts weigh the anti-competitive consequences of a practice against its pro-competitive benefits. *Id.* Under the per se rule, a particular class of practices is declared illegal without detailed inquiry into the merits of specific cases. *Id.* ¶¶ 1509–1511.

30. *Fortner I*, 394 U.S. at 500.

31. *Id.*

32. *Id.*

33. *Jefferson Parish Hosp.*, 466 U.S. at 34 (O'Connor, J., concurring).

34. See *infra* notes 75–82 and accompanying text.

35. Not all inventions are patentable; such protection is limited to any “new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” 35 U.S.C. § 101 (2000). Therefore, to be patentable, an invention must be useful, novel, and nonobvious, and the patent application must meet various disclosure requirements. §§ 101–112. See also *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476–78 (1974); *Thomas & Betts Corp. v. Panduit Corp.*, 138 F.3d 277, 283–84 (7th Cir. 1998). “Those inventions meeting these statutory tests are granted patent protection, which gives the inventor a limited term of monopoly on the manufacture or exploitation of the device.” *Thomas & Betts Corp.*, 138 F.3d at 284. A further discussion of patent law and the patentability requirements is beyond the scope of this Comment. For a more detailed discussion, see MARTIN J. ADELMAN ET AL., *CASES AND MATERIALS ON PATENT LAW* (2d ed. 2003).

36. 6 DONALD S. CHISUM, *CHISUM ON PATENTS* § 19.04[1][b] (2004).

37. *Id.* § 19.04[2]; see also *Henry v. A.B. Dick Co.*, 224 U.S. 1, 70 (1912) (White, J., dissenting) (“[Patent tie-ins are] an attempt to increase the scope of the monopoly granted by a patent . . . which tend[s] to increase monopoly and to burden the public in the exercise of their common rights.”).

control the market for unpatented products.<sup>38</sup> As courts, legislators, and scholars now recognize, tying arrangements are only likely to be harmful when, in addition to the statutory monopoly, the patentee enjoys actual market power in the tying product.<sup>39</sup> But, before the 1988 Amendment to the Patent Act in the patent misuse context and *Independent Ink* in the antitrust context, courts presumed market power in the patented tying product and held that such agreements were per se unlawful.<sup>40</sup>

The market power presumption for patent tying arrangements stems from early tying cases where courts, perhaps carelessly, equated the statutory “patent monopoly” with substantial market power, even absent actual market power in the tying product.<sup>41</sup> In the classic tie-in case, *Motion Picture Patents Co. v. Universal Film Manufacturing Co.*, the plaintiff sold his patented motion picture projector to theaters, subject to the condition that theaters must not project movies other than those supplied by the plaintiff or its designees.<sup>42</sup> Finding for the defendant, the Court looked to “the scope and purpose of the patent laws” and found that to permit such an arrangement would be “gravely injurious to [the] public interest.”<sup>43</sup> The Court did not emphasize market power, even though the patented projector was “ex-

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38. *United States v. Loew's, Inc.*, 371 U.S. 38, 47 (1962) (quoting *United States v. Paramount Pictures, Inc.*, 334 U.S. 138, 158 (1948)).

39. 1988 Amendment to the Patent Act, 35 U.S.C. § 271(d) (1988); *Illinois Tool Works, Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 46 (2006); U.S. DEP'T OF JUSTICE & FED. TRADE COMM'N, ANTI-TRUST ENFORCEMENT AND INTELLECTUAL PROPERTY RIGHTS: PROMOTING INNOVATION AND COMPETITION (Apr. 17, 2007); ANTI-TRUST GUIDELINES, *supra* note 20.

40. Courts distinguish between intellectual property and non-intellectual property cases in other areas of antitrust law as well. For instance, in refusal to deal cases, those involving a firm's refusal to license intellectual property to competitors, antitrust flags are raised as being anti-competitive. See Michael A. Carrier, *Refusals to License Intellectual Property after Trinko*, 55 DEPAUL L. REV. 1191 (2006). In recent years, courts have held that, in intellectual property cases, a firm may cease cooperating with rivals as long as the firm has a valid business justification. *Id.* at 1194–95. In *Verizon Communications, Inc. v. Law Office of Curtis V. Trinko, L.L.P.*, 540 U.S. 398 (2004), the Supreme Court offered guidance to lower courts that have inconsistently dealt with refusals to license intellectual property. In that case, a local telephone service customer of AT&T alleged that Verizon, an incumbent local exchange carrier, discriminated against competitive local exchange carriers in violation of the Telecommunications Act of 1996. *Id.* at 407. Holding that the telephone company's refusal to share its network with rivals did not violate section 2 of the Sherman Act, the court focused on the benefits of monopoly power, the dangers of forcing firms to share facilities with competitors, and the costs associated with antitrust regulation. *Id.* at 407–10. For more information on refusals to license, see 3 AREEDA & HOVENKAMP, *supra* note 3, ¶ 707.

41. 10 AREEDA & HOVENKAMP, *supra* note 3, ¶ 1733; LANDES & POSNER, *supra* note 6, at 374 (“[C]ourts in the early patent tie-in cases tended to confuse patent ‘monopolies’ with monopolies that have economic consequences grave enough to warrant the invocation of antitrust prohibitions.”).

42. 243 U.S. 502, 506 (1917).

43. *Id.* at 519.

ceedingly valuable” and gave the patent holder a vehicle by which to “regiment the entire industry,” clearly indicating potentially substantial market power.<sup>44</sup>

However, in subsequent cases involving less commercially successful patented inventions, courts overlooked actual market power and continued to carelessly apply *Motion Picture Patents*’ reasoning.<sup>45</sup> In *Carbice Corp. of America v. American Patents Development Corp.*, the plaintiff patented a “transportation package consisting of a protective casing of insulating material” containing “frozen carbon dioxide,” commonly known as dry ice.<sup>46</sup> The plaintiff sold the dry ice for use in the patented package, thereby giving its customers an implied license to make and use the patented package, which was effectively a license conditioned upon the purchase of dry ice from the plaintiff.<sup>47</sup> The plaintiff argued that its rivals infringed by selling dry ice, knowing that it would be used in the patented package.<sup>48</sup> The Court found patent misuse by the plaintiff and analogized the unpatented dry ice to the unpatented film in *Motion Picture Patents*, but did not consider the patented package’s lack of market significance.<sup>49</sup>

In *Morton Salt Co. v. G.S. Suppiger Co.*, the Court again found non-infringement without inquiring into the market power of the patented tying product, but went a step further by allowing a plaintiff’s tying arrangement to constitute a defense to infringement.<sup>50</sup> There, the plaintiff sold a patented salt-dispensing machine to food canners with the agreement that the canners dispense only salt purchased from the plaintiff.<sup>51</sup> The defendant did not merely sell the same unpatented product that the plaintiffs tied-in with its patented product; rather, it manufactured and sold a salt-dispensing machine covered by the claims of the plaintiff’s patent.<sup>52</sup> Nonetheless, the Court found for the defendant, because the plaintiff used the patent to increase its sales of unpatented salt—an “improper practice.”<sup>53</sup> The Court reasoned that,

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44. 10 AREEDA & HOVENKAMP, *supra* note 3, ¶ 1733.

45. *Id.*

46. 283 U.S. 27, 29 (1931).

47. *Id.* at 30.

48. *Id.*

49. *Id.* at 31–34; 10 AREEDA & HOVENKAMP, *supra* note 3, ¶ 1733.

50. 314 U.S. 488, 491 (1942).

51. *Id.* at 490–91.

52. *Id.*

53. *Id.* at 493.

had it held otherwise, it would have been a “powerful aid to the maintenance of the attempted monopoly of the unpatented article.”<sup>54</sup>

The Court’s persistent inattention to actual market power in the tying product finally resulted in the per se rule against patent tie-ins in *International Salt Co. v. United States*.<sup>55</sup> In *International Salt*, the plaintiff leased its patented salt-dispensing machine to food processors with the understanding that the processors would only dispense the plaintiff’s salt.<sup>56</sup> Without considering whether *International Salt* had power in the market for salt-dispensing machines, the Court condemned the agreement under section 3 of the Clayton Act and section 1 of the Sherman Act.<sup>57</sup> Because the Court emphasized condemnation without regard to the circumstances of the particular case, *International Salt* has been understood to “establish liability without regard to power over the tying product.”<sup>58</sup>

Over the next fifty years, courts used per se condemnation of tying arrangements in patent cases,<sup>59</sup> while some courts increasingly criticized the validity of treating tie-ins so harshly in non-patent tying cases.<sup>60</sup> In *Fortner Enterprises, Inc. v. U.S. Steel Corp. (Fortner I)*, four dissenting Justices argued that the tie-in probably served a legitimate pro-competitive purpose, resulting in “uniquely advantageous deals” to purchasers.<sup>61</sup> In *U.S. Steel Corp. v. Fortner Enterprises, Inc. (Fortner II)*, the Court agreed with Justice White’s dissent in *Fortner I* and found that the plaintiff’s failure to prove market power was fatal to its case.<sup>62</sup> In *Jefferson Parish Hospital Dist. No. 2 v. Hyde*, the Court again found that a tying arrangement was not per se unlawful, because the plaintiff failed to prove market power.<sup>63</sup> The majority noted that “[p]er se condemnation—condemnation without inquiry into actual market conditions—is only appropriate if the existence of forcing is probable.”<sup>64</sup> Where the tying product is patented and the tied prod-

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54. *Id.* Subsequently, in *Mercoid Corp. v. Mid-Continent Investment Co.*, the Court made clear that such patent misuse through tying also violated antitrust laws. 320 U.S. 661, 664 (1944).

55. 332 U.S. 392, 396 (1947).

56. *Id.* at 394.

57. *Id.* at 396.

58. 10 AREEDA & HOVENKAMP, *supra* note 3, ¶ 1733.

59. See, e.g., *United States v. Loew’s, Inc.*, 371 U.S. 38 (1962); *Times-Picayune Publ’g Co. v. United States*, 345 U.S. 594 (1953).

60. See *Fortner Enters., Inc. v. U.S. Steel Corp. (Fortner I)*, 394 U.S. 495, 517–18 (1969) (White, J., dissenting); *U.S. Steel Corp. v. Fortner Enters., Inc. (Fortner II)*, 429 U.S. 610, 622 (1977). See also *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2 (1984).

61. 394 U.S. at 516 (White, J., dissenting).

62. 429 U.S. at 622.

63. 466 U.S. at 25.

64. *Id.* at 15.

uct unpatented, “it is fair to presume that the inability to buy the product elsewhere gives the seller market power.”<sup>65</sup> But Justice O’Connor, concurring in the judgment, questioned the validity of such a presumption, observing that it was actually a product of patent misuse jurisprudence rather than antitrust law.<sup>66</sup>

Only four years after the *Jefferson Parish* Court reaffirmed the market power presumption for patent tie-ins, Congress removed the presumption from the patent misuse context by enacting the Patent Misuse Reform Act.<sup>67</sup> The amended provision lists acts by patent owners that shall not be deemed misuse, one of which concerns tying arrangements:

(5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.<sup>68</sup>

The Federal Trade Commission and the Department of Justice followed suit seven years later in their Guidelines.<sup>69</sup> The Guidelines provide that litigants should challenge tying arrangements as anti-competitive when: “(1) the seller has market power in the tying product; (2) the arrangement has an adverse effect on competition in the relevant market for the tied product; and (3) efficiency justifications for the arrangement do not outweigh the anti-competitive effects.”<sup>70</sup> Thus, the agencies recognized that merely possessing intellectual property does not connote market power.<sup>71</sup>

#### D. Illinois Tool Works v. Independent Ink

In *Independent Ink*, the Supreme Court unanimously rejected the market power presumption<sup>72</sup> in patent tie-in cases as a matter of anti-

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65. *Id.* at 16.

66. *Id.* at 37–38 (O’Connor, J., concurring).

67. 35 U.S.C. § 271(d) (2000).

68. *Id.*

69. ANTITRUST GUIDELINES, *supra* note 20. “The guidelines provide a useful insight into the thinking of the antitrust authorities regarding the licensing of intellectual property.” ADELMAN ET AL., *supra* note 35, at 1100. “The guidelines also contain an analysis of various types of markets affected by intellectual property and other antitrust issues such as horizontal restraints, resale price maintenance, tying, exclusive dealing, cross-licensing and pooling, grant back clauses, as well as acquisition of intellectual property rights.” *Id.*

70. ANTITRUST GUIDELINES, *supra* note 20, § 5.3.

71. *Id.* § 2.0.

72. As discussed above, it was a well-settled proposition that “if the Government has granted the seller a patent or similar monopoly over a product, it is fair to presume that the inability to buy the product elsewhere gives the seller market power.” *Illinois Tool Works, Inc. v. Indep.*

trust law.<sup>73</sup> The Court held that, because a patent does not necessarily confer market power upon the patentee in all tying arrangement cases, the party asserting patent invalidity due to illegal tying must prove that the patent holder has market power in the tying product.<sup>74</sup>

The defendant in *Independent Ink* manufactured and marketed printing systems to original equipment manufacturers (OEMs). The system included a patented printhead, patented ink container that attaches to the printhead, and unpatented ink.<sup>75</sup> The sale of the printhead and ink container (the tying products) were contingent upon the OEMs' agreement to also purchase the unpatented ink (the tied product) exclusively from the defendant. The OEMs agreed that "neither they nor their customers will refill the patented containers with ink of any other kind."<sup>76</sup> The plaintiff developed an ink equivalent to the defendant's unpatented ink and sought a judgment of noninfringement and invalidity of defendant's patents on the ground that the defendant "engaged in illegal tying and monopolization in violation of §§ 1 and 2 of the Sherman Act."<sup>77</sup>

The District Court granted the defendant's motion for summary judgment, rejecting the plaintiff's argument that the tying arrangements were per se antitrust violations by virtue of the market power presumption.<sup>78</sup> On appeal, the Federal Circuit reversed, concluding that it was bound by Supreme Court precedent regarding the market power presumption in patent cases.<sup>79</sup>

In reversing the Federal Circuit's holding, the Supreme Court traced the development of the market power presumption and found that the per se rule had become outdated, because the "Court's strong disapproval of tying arrangements" had substantially diminished.<sup>80</sup> The court stated the following:

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*Ink, Inc.*, 547 U.S. 28, 31 (2006) (quoting *Jefferson Parish Hospital Dist. No. 2 v. Hyde*, 466 U.S. 2 (1984)).

73. *Id.* ("The question presented to us today is whether the presumption of market power in a patented product should survive as a matter of antitrust law despite its demise in patent law. We conclude that the mere fact that a tying product is patented does not support such a presumption.")

74. *Id.*

75. *Id.* at 31–32.

76. *Id.* at 32.

77. *Id.*

78. *Indep. Ink, Inc.*, 547 U.S. at 32.

79. *Id.* at 32–33. The Federal Circuit so held following "a careful review of the long history of Supreme Court consideration of the legality of tying arrangements." *Id.* at 32 (internal quotation marks omitted).

80. *Id.* at 35–36 (discussing the four-Justice dissent in *Fortner I* and the majority in *Fortner II*).

While the 1988 amendment does not expressly refer to the antitrust laws, it certainly invites a reappraisal of the *per se* rule . . . . It would be absurd to assume that Congress intended to provide that the use of a patent that merited punishment as a felony would not constitute “misuse.” Moreover, given the fact that the patent misuse doctrine provided the basis for the market power presumption, it would be anomalous to preserve the presumption in antitrust after Congress has eliminated its foundation.<sup>81</sup>

Thus, the Court reasoned that, because the market power presumption had arisen “outside the antitrust context as part of the patent misuse doctrine,” which was eliminated in the 1988 amendments to the Patent Act, the presumption should be abandoned in antitrust law as well.<sup>82</sup>

### E. Copyright Tie-Ins

Numerous courts have held that copyright<sup>83</sup> tie-ins—where a copyright owner refuses to license certain desirable products unless tied-in with licenses for less desirable products—constitute antitrust violations.<sup>84</sup> The older tie-in cases typically involved patents, while the newer tie-in cases generally involve copyrights.<sup>85</sup> Supreme Court precedent in this area squarely establishes that proof of market power is not required in copyright tie-in cases.<sup>86</sup> This rule is consistent with the pre-*Independent Ink* market power presumption in patent tie-in cases.

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81. *Id.* at 42.

82. *Id.* at 38, 42.

83. Like the Patent Act, “[t]he Copyright Act accords to each copyright owner a limited form of monopoly.” 4 MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 13.09(A)(1) (2007). Federal law gives the copyright owner, for a limited period of time, the exclusive right to reproduce copyrighted works, prepare derivative works, distribute copies by sale or other transfer by complete or partial ownership, and perform and display the copyrighted work. 17 U.S.C. § 106 (2000).

84. See *United States v. Loew’s, Inc.*, 371 U.S. 38 (1962); *United States v. Paramount Pictures, Inc.*, 334 U.S. 131 (1948); *MCA Television Ltd. v. Pub. Interest Corp.*, 171 F.3d 1265 (11th Cir. 1999); *Pape Television Co. v. Associated Artists Prod. Corp.*, 277 F.2d 750 (5th Cir. 1960). See also *Interstate Circuit, Inc. v. United States*, 306 U.S. 208 (1939); *Elec. Data Sys. Corp. v. Computer Assocs. Int’l, Inc.*, 802 F. Supp. 1463 (N.D. Tex. 1992); *In re Data Gen. Corp. Antitrust Litig.*, 490 F. Supp. 1089 (N.D. Cal. 1980). Cf. *A.I. Root Co. v. Computer/Dynamics, Inc.*, 806 F.2d 673 (6th Cir. 1986); *United Tel. Co. v. Johnson Pub’g Co.*, 855 F.2d 604 (8th Cir. 1988); *F.E.L. Publ’ns, Ltd. v. Catholic Bishop of Chi.*, 214 U.S.P.Q. 409 (7th Cir. 1982); *Serv. & Training, Inc. v. Data Gen. Corp.*, 737 F. Supp. 334 (D. Md. 1990).

85. LANDES & POSNER, *supra* note 6, at 372. Copyright-related antitrust cases have grown increasingly prevalent in recent years, as the economy has shifted toward computer and Internet-based businesses. *Id.* at 390. “In recent years the focus of antitrust . . . has been on firms in the ‘new economy,’ . . . such as Intel, . . . Microsoft, and Internet-based businesses . . . such as AOL and Amazon.com.” *Id.*

86. Hon. Arthur J. Gajarsa & Dr. Lawrence P. Cogswell III, Foreword, *The Federal Circuit and the Supreme Court*, 55 AM. U. L. REV. 821, 839 (2006).

In *United States v. Paramount Pictures, Inc.* and *United States v. Loew's, Inc.*, the Supreme Court applied the same antitrust restrictions to copyright tie-ins as it did to patent tie-ins.<sup>87</sup> In *Paramount Pictures*, the Court condemned a tie-in without discussing market power.<sup>88</sup> The Court held that the practice of “block-booking,” where distributors rent copyrighted films to theaters who also agree to take other films, “add[s] to the monopoly of the copyright in violation of the principle of the patent cases involving tying clauses” by eliminating bidding for each movie on its individual merits.<sup>89</sup> The Court reasoned that the market power presumption adopted in patent cases applied equally to copyrights, because “copyright law, like the patent statutes, makes reward to the owner a secondary consideration.”<sup>90</sup> In *Loew's*, the defendants—six major distributors of copyrighted motion picture feature films—engaged in block-booking for television exhibition.<sup>91</sup> The Court noted that lower courts should deny relief in infringement actions where patentees use unlawful tying arrangements. The Court then applied this restriction to copyrights.<sup>92</sup> Some courts read *Loew's* as suggesting that, as in patent law, a copyright misuse defense to infringement could stand.<sup>93</sup>

Courts continue to apply this presumption in copyright cases. In *United States v. Microsoft Corp.*, the government claimed that Microsoft unlawfully tied its copyrighted Internet browser to its Windows 98 operating system, and the court rejected Microsoft's argument that the per se standard should not apply “simply because the case involved ‘physically integrated products or questions of product design.’”<sup>94</sup> Elsewhere, courts have upheld tying arrangements, because the copyright was not a separate product.<sup>95</sup>

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87. 334 U.S. 131, 158 (1948); 371 U.S. 38, 45 (1962).

88. See *Paramount Pictures*, 334 U.S. at 131.

89. *Id.* at 158.

90. *Id.*

91. *Loew's, Inc.*, 371 U.S. at 40.

92. 4 NIMMER, *supra* note 83, § 13.09[A][4][a].

93. *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990); *Mitchell Bros. Film Group v. Cinema Adult Theater*, 604 F.2d 852 (5th Cir. 1979); *K-91, Inc. v. Gershwin Publ'g Corp.*, 372 F.2d 1 (9th Cir. 1967); *Qad, Inc. v. ALN Assocs., Inc.*, 770 F. Supp. 1261 (N.D. Ill. 1991).

94. No. 98-1232, 1998 U.S. Dist. LEXIS 14231, at \*32-33 (D.D.C. Sept. 14, 1998).

95. *Triad Sys. Corp. v. Se. Express Co.*, 64 F.3d 1330 (9th Cir. 1995); *Serv. & Training, Inc. v. Data Gen. Corp.*, 963 F.2d 680 (4th Cir. 1992); *Advanced Computer Servs. v. MAI Sys. Corp.*, 845 F. Supp 356 (E.D. Va. 1994).

*F. Trademark Tie-Ins*

As with patents and copyrights, courts have scrutinized trademark<sup>96</sup> tying arrangements in the antitrust liability<sup>97</sup> and trademark misuse contexts.<sup>98</sup> In the early trademark tie-in cases, courts declined to impose antitrust liability, because judges have long assumed that a trademark licensor could use tying arrangements as a legitimate part of quality control. Nothing in the Lanham Act suggested otherwise, and courts doubted that a trademark could constitute a tying “product.”<sup>99</sup> Courts have also refused to apply trademark tie-in law where the trademark was not a separate product,<sup>100</sup> the trademark was part of a franchise agreement business format,<sup>101</sup> or the tie-in was necessary to maintain high product standards.<sup>102</sup>

Later cases involving trademark tie-ins “applied the logic of the patent and copyright holdings,” relying on a presumption of market power.<sup>103</sup> *Susser v. Carvel Corp.* represents the modern judicial attitude toward trademark tying arrangements.<sup>104</sup> There, franchise agreements licensed the Carvel trademark and required franchisees to purchase certain Carvel brand products.<sup>105</sup> Finding that the essential

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96. A trademark is “any word, name, symbol or device or any combination thereof . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others . . .” 15 U.S.C. § 1127 (2000). To be registrable as a trademark, a mark must be capable of distinguishing the applicant’s goods from the goods of others. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992). Marks are classified according to their distinctiveness and have been broken into the following categories: (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful. *Id.* Generic marks are not registrable as trademarks, but suggestive, arbitrary, or fanciful marks are deemed distinctive and are entitled to such protection. *Id.* A descriptive mark, while not inherently distinctive, can be registered as a trademark if it acquires secondary meaning, that is, “if it ‘has become distinctive of the applicant’s goods in commerce.’” *Id.* at 769 (quoting 15 U.S.C. § 1052(e)–(f) (2000)). A more in-depth discussion of trademark law and acquiring trademark protection is beyond the scope of this Comment. See generally MARY LAFRANCE, UNDERSTANDING TRADEMARK LAW (2005).

97. See, e.g., *Eastman Kodak Co. v. Image Technical Servs., Inc.*, 504 U.S. 451 (1992).

98. 15 U.S.C. § 1115(b)(7) (2000); *Carpa, Inc. v. Ward Foods, Inc.*, 536 F.2d 39 (5th Cir. 1976).

99. 2 ANNE GILSON LALONDE ET AL., GILSON ON TRADEMARKS § 6.02[1][c] (2006).

100. See *Roberts v. Elaine Powers Figure Salons*, 708 F.2d 1476 (9th Cir. 1983); *Principe v. McDonald’s Corp.*, 631 F.2d 303 (4th Cir. 1980); *Siegel v. Chicken Delight, Inc.*, 448 F.2d 43 (9th Cir. 1971).

101. A business format franchise conducts certain business under a common trademark, as opposed to a distribution-type franchise system, which distributes the trademarked goods. See, e.g., *Principe*, 631 F.2d 303 (4th Cir. 1980); *Siegel*, 448 F.2d 43 (9th Cir. 1971).

102. *Dehydrating Process Co. v. A.O. Smith Corp.*, 292 F.2d 653 (1st Cir. 1961).

103. Thomas C. Arthur, *Farewell to the Sea of Doubt: Jettisoning the Constitutional Sherman Act*, 74 CAL. L. REV. 263, 370–71 n.599 (1986) (citing *Photovest Corp. v. Fotomat Corp.*, 606 F.2d 704, 725 (7th Cir. 1979)); *Warriner Hermetics, Inc. v. Copeland Refrigeration Corp.*, 463 F.2d 1002, 1015 (5th Cir. 1972); *Siegel*, 448 F.2d at 50.

104. 332 F.2d 505, 512 (2d Cir. 1964); KALINOWSKI, *supra* note 18, § 74.03[3].

105. *Carvel Corp.*, 332 F.2d at 509. “I can find little reason to distinguish, in determining the legality of an allegedly unlawful tying arrangement, between the economic power generated by a

element in the franchise is the lease for the trademark itself, to which the other products were tied, the Second Circuit held that the trademark presumptively generated sufficient economic power and concluded that the plaintiffs proved “the essentials of a tying arrangement.”<sup>106</sup>

Subsequently, courts continued to rely on a market power presumption. The Supreme Court has not overruled any of these cases. In *Photovest Corp. v. Fotomat Corp.*, the Seventh Circuit presumed market power in the trademarked tying product.<sup>107</sup> There, the franchise agreement providing for the sale of the rights to retail drive-thru photo processing kiosks bearing Fotomat’s trademarked name also obligated the plaintiff franchisee to purchase its processing services from the defendant.<sup>108</sup> The Court found the agreement illegal, rejecting the defendant’s argument that it lacked economic power in the tying market without inquiring into actual market power.<sup>109</sup>

In *Warriner Hermetics, Inc. v. Copeland Refrigeration Corp.*, a franchise agreement required franchisees of a refrigeration compressor wholesale business to purchase rebuilt compressors, parts, and services from the defendants.<sup>110</sup> The Fifth Circuit treated the trademark as “persuasive evidence of significant market leverage” and remanded the case for jury instructions on per se violations.<sup>111</sup> Similarly, in *Siegel v. Chicken Delight, Inc.*, the license to use the Chicken Delight trademark was contingent upon certain supplies also being purchased from the franchisor.<sup>112</sup> The Ninth Circuit found that an illegal trademark tie-in existed and held that the presumption of market power for patent and copyright tie-ins also applies to trademarks.<sup>113</sup>

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patent or copyright on the one hand and that generated by a trademark on the other.” *Id.* at 513.

106. *Id.* at 514.

107. 606 F.2d 704 (7th Cir. 1979).

108. *Id.* at 722.

109. *Id.* at 724.

110. 463 F.2d 1002, 1006 (5th Cir. 1972).

111. *Id.* at 1015.

112. 448 F.2d 43, 46 (9th Cir. 1971).

113. *Id.* at 50. The court explained as follows:

Just as the patent or copyright forecloses competitors from offering the distinctive product on the market, so the registered trade-mark presents a legal barrier against competition. It is not the nature of the public interest that has caused the legal barrier to be erected that is the basis for the presumption, but the fact that such a barrier does exist. Accordingly we see no reason why the presumption that exists in the case of the patent and copyright does not equally apply to the trade-mark.

*Id.*

*G. Trade Secret Tie-Ins*

Trade secrets<sup>114</sup> may be the subject of tie-ins where the licensor “conditions the availability of the trade secrets upon coerced acceptance of some other item.”<sup>115</sup> But the exclusionary rights derived from a trade secret are much narrower than those derived from a patent, because competitors who do so fairly and honestly are free to develop identical trade secrets.<sup>116</sup> The restrictive effect trade secret rights have on competitors’ abilities to develop equivalent technology, therefore, is less than that derived from patent, copyright, and trademark rights.<sup>117</sup>

Courts have recognized that a trade secret is not a restraint of trade, and a trade secret license does not inherently impose a restraint on competition.<sup>118</sup> In *A&E Plastik Pak Co. v. Monsanto Co.*, the Ninth Circuit reviewed a trade secret licensing agreement and recognized that, despite the license, the public retained the right to independently develop the same product.<sup>119</sup>

Further, courts have recognized that a tie-in is not illegal where the tie-in results from an overriding business purpose rather than an attempt to secure a competitive advantage.<sup>120</sup> In *United States v. Jerrold Electronics Corp.*, the Court held that the defendant’s practice of selling cable equipment systems only in conjunction with a service contract was lawful, in part, because, without the service contracts, proper functioning of the system could not be guaranteed and “[a] wave of system failures at the start would have . . . been disastrous for the business.”<sup>121</sup>

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114. A trade secret is any commercially viable machine, device, product, formula, pattern, compilation of information, or knowledge or skill that, when used in one’s business, gives the user an advantage over competitors who are unaware of the secret. KALINOWSKI, *supra* note 18, § 72.05.

115. HOLMES, *supra* note 13, § 28.1.

116. *Id.* A trade secret owner does, however, have a cause of action if the trade secret is misappropriated. The Uniform Trade Secrets Act defines misappropriation as the “(i) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or (ii) disclosure or use of a trade secret of another without express or implied consent . . . .” UNIF. TRADE SECRETS ACT § 1(2) (amended 1985).

117. HOLMES, *supra* note 13, § 28.1.

118. 2 MELVIN F. JAGER, TRADE SECRETS LAW § 11:2 (2002).

119. 396 F.2d 710, 714, 715 (9th Cir. 1968). *But see* Boeing Co. v. Sierracin Corp., 738 P.2d 665, 678 (Wash. 1987) (interpreting *A&E Plastik Pak Co. v. Monsanto Co.*, 396 F.2d 710 (9th Cir. 1968), to stand for the proposition that an “agreement purporting to license trade secrets, which is in reality a mere sham to restrict competition, may violate antitrust laws”).

120. *See, e.g.*, *United States v. Jerrold Elecs. Corp.*, 187 F. Supp. 545 (E.D. Pa. 1960), *aff’d*, 365 U.S. 567 (1961).

121. *Id.* at 557.

However, courts have condemned trade secret tie-ins when tied to patent licensing agreements.<sup>122</sup> In such cases, the tying product is protected by other intellectual property rights in addition to trade secrets.<sup>123</sup> In *Digidyne Corp. v. Data General Corp.*, the defendant refused to license copyrighted software unless the buyers also purchased the central processing units from the defendants.<sup>124</sup> The court held that the copyright created a presumption of sufficient economic power, making the arrangement illegal per se.<sup>125</sup> In *Susser v. Carvel Corp.*, the defendant required—as part of a franchise agreement to license the Carvel trademark and a secret ice cream formula—that the plaintiffs buy certain products from either Carvel or an approved source.<sup>126</sup> The court found that the true tying product was the trademark and not the secret formula, noting that the sale of the secret formula “surely could be legally tied to the Carvel trademark.”<sup>127</sup>

Tie-in cases solely involving trade secrets are rare.<sup>128</sup> The few cases in which the legality of a trade secret tie-in was at issue followed the rule that “it has never been held that trade secrets protection is sufficient to create a presumption of economic power.”<sup>129</sup> In *In re Data General Corp. Antitrust Litigation*, the plaintiff claimed trade secret misappropriation, and the defendant raised unclean hands as a defense, claiming that the plaintiff unlawfully tied the sale of software protected by copyright, trademark, and trade secret rights.<sup>130</sup> The court considered the trade secret aspect separately, noting that “[t]he law does not presume that trade secrets protection confers economic power.”<sup>131</sup>

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122. KALINOWSKI, *supra* note 18, § 74.01[4][b] (citing *Technograph Printed Circuits v. Bendix Aviation Corp.*, 218 F. Supp 1 (D. Md. 1963)).

123. *See, e.g.*, *Digidyne Corp. v. Data Gen. Corp.*, 734 F.2d 1336 (9th Cir. 1984); *Susser v. Carvel Corp.*, 332 F.2d 505 (2d Cir. 1964); *Perfumer's Workshop, Ltd. v. Roure Bertrand du Pont, Inc.*, 737 F. Supp. 785 (S.D.N.Y. 1990); *KFC Corp. v. Marion-Kay Co.*, 620 F. Supp. 1160 (S.D. Ind. 1985); *Duplan Corp. v. Deering Milliken, Inc.*, 444 F. Supp. 648 (D.S.C. 1979).

124. *Digidyne Corp.*, 734 F.2d at 1338.

125. *Id.* at 1344.

126. *Carvel Corp.*, 332 F.2d at 510–11.

127. *Id.* at 519 n.2.

128. JAGER, *supra* note 118, at § 11:10.

129. *Id.* (quoting *In re Data Gen. Corp. Antitrust Litig.*, 490 F. Supp. 1089, 1113–14 (N.D. Cal. 1980); and *3 P.M., Inc. v. Basic Four Corp.*, 591 F. Supp. 1350, 1359 (E.D. Mich. 1984)).

130. 490 F. Supp. at 1099.

131. *Id.* at 1115.

III. ANALYSIS

This Part analyzes the rationale behind the *Independent Ink* rule<sup>132</sup> and the rule that courts apply to trade secret tie-ins.<sup>133</sup> It proposes that a similar rule should be adopted in cases involving tie-ins with two other forms of intellectual property: copyrights and trademarks.<sup>134</sup> Specifically, it compares copyrights to patents and proposes that such an extension of the law is warranted, because they serve similar public policies and the right to exclude competitors conferred by copyrights has even less potential for competitive harm than that of patent rights.<sup>135</sup> It then compares trademarks to patents and proposes that logic dictates the same extension of the law, because trademark rights serve an important public purpose that should not be deterred, and because trademark rights are far less exclusionary than patent rights.<sup>136</sup> Finally, this Part compares trade secrets to patents, copyrights, and trademarks to show that a rule used in both patent and trade secret contexts should apply equally to copyrights and trademarks.<sup>137</sup>

A. *The Independent Ink Court Got It Right*

The *Independent Ink* Court correctly held that antitrust scrutiny of tying arrangements should be the same for all products.<sup>138</sup> A patent is not a “monopoly” in the antitrust sense, because “a patent does not necessarily confer market power.”<sup>139</sup> A patent is no different from any other property right, and, unless the property owner dominates its relevant market, neither patent ownership nor the power to exclude others conveys monopoly power.<sup>140</sup> Thus, it was a mistake for judges

132. See *infra* notes 138–164 and accompanying text.

133. See *supra* notes 114–131 and accompanying text.

134. See *infra* notes 165–206 and accompanying text.

135. See *infra* notes 165–188 and accompanying text.

136. See *infra* notes 189–206 and accompanying text.

137. See *infra* notes 207–222 and accompanying text.

138. *Illinois Tool Works, Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 45–46 (2006). The vast majority of authorities agree with the decision. See, e.g., Kenneth J. Burchfiel, *Patent Misuse and Antitrust Reform: “Blessed be the Tie?”*, 4 HARV. J. LAW & TECH 1, 57 n.340 (1991) (citing sources regarding the extensive criticism of the market power presumption).

139. *Indep. Ink, Inc.*, 547 U.S. at 44.

140. 3 AREEDA & HOVENKAMP, *supra* note 3, at 159:

[W]e emphasize that a patent is presumptively not a monopoly at all; it is merely the right to exclude others from copying a particular process or product. As such it is no different from any other property right . . . . Although courts in the past “presumed” that a patent confers sufficient market power to make tying unlawful, the presumption is incorrect there and has not been extended to § 2 cases.

*Id.*

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in early tie-in cases to presume that patents confer monopolies.<sup>141</sup> The availability of acceptable noninfringing alternatives to the tying product eliminates the inference that the mere existence of a patent confers market power.<sup>142</sup>

In some circumstances, patent tie-ins may be reasonably justified, which negates the usefulness of a blanket presumption of market power.<sup>143</sup> Such instances include situations where the tied product is not compatible with products other than the patentee's licensed product or where the patentee's business is new and the patentee had a legitimate interest in assuring the proper functioning of complex equipment.<sup>144</sup> Sellers may also use tie-ins to facilitate price discrimination,<sup>145</sup> rather than use the seller's existing monopoly to acquire a second monopoly.<sup>146</sup> Price discrimination is "a relatively harmless nonleverage explanation of tying," where a "tying seller uses the tie simply to maximize its revenues from the *tying* product through price discrimination."<sup>147</sup>

Further, when courts presume market power, they overlook pro-competitive benefits and thus fail to serve antitrust law's underlying policy: fostering competition.<sup>148</sup> Tying can save costs, increase effi-

141. LANDES & POSNER, *supra* note 6, at 374.

142. Abbott B. Lipsky, Jr., *Current Antitrust Division Views on Patent Licensing Practices*, 50 ANTITRUST L.J. 515, 518–19 (1981).

143. KALINOWSKI, *supra* note 18, § 74.01[4][a]; GAVIL ET AL., *supra* note 12, at 711.

144. KALINOWSKI, *supra* note 18, § 74.01[4][a] (citing *Dehydrating Process Co. v. A.O. Smith Corp.*, 292 F.2d 653 (1st Cir. 1961); *United States v. Jerrold Elecs. Corp.*, 187 F. Supp. 545 (E.D. Pa. 1960)).

145. Price discrimination is the practice of charging competing buyers different prices for the same product. See Fed. Trade Comm'n, *Promoting Competition, Protecting Consumers: A Plain English Guide to Antitrust Laws*, available at <http://www.ftc.gov/bc/compguide/discrim.htm> (last visited Sept. 16, 2007). Such practices may be anti-competitive if sellers give their favored customers an edge in the market, unrelated to the customer's efficiency. *Id.* Further, such practices may facilitate predatory pricing—pricing at a loss for certain customers in order to drive competitors out of the market, while charging other customers higher prices to recoup the losses. *Id.* Nevertheless, price discrimination is generally lawful, "particularly if [prices] reflect the different costs of dealing with different buyers or result from a seller's attempts to meet a competitor's prices or services." *Id.* Kalinowski stated the following:

Under the proper circumstances, the courts and the Commission allow sellers to charge different prices among customers at different levels of distribution. Those differentials, however, must correspond to the particular customer's position on the distribution ladder, so that a wholesaler or jobber must receive a higher discount (and therefore a lower price) than a dealer or retailer.

KALINOWSKI, *supra* note 18, § 39.02[2][a][i].

146. LANDES & POSNER, *supra* note 6, at 373 (2003) (discussing *Henry v. A.B. Dick Co.*, 224 U.S. 1 (1912)); 9 AREEDA & HOVENKAMP, *supra* note 3, ¶ 1711.

147. 9 AREEDA & HOVENKAMP, *supra* note 3, ¶ 1711 (emphasis in original).

148. See, e.g., *Standard Oil Co. v. United States*, 221 U.S. 1, 58 (1911); *SCM Corp. v. Xerox Corp.*, 645 F.2d 1195, 1203 (2d Cir. 1981).

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ciency,<sup>149</sup> or assure product quality.<sup>150</sup> In some instances, tying may also provide convenience.<sup>151</sup> Consider the following scenario:

Suppose for example that 80% of the purchasers of widgets also want gadgets, that gadgets cost \$1 to produce, and that the incremental cost of packaging gadgets separately from widgets is \$0.30. In this example, it is cheaper to provide a gadget for those who do not want it (a cost of \$1 per customer for 20% of the customers) than it is to package the goods separately (\$0.30 per customer for 80% of the customers). Customers who want both widgets and gadgets are likely to get a lower price than they would if the company were forced to sell the goods separately.<sup>152</sup>

Tying can also be used for product quality assurance, as where a seller ties a complementary product to a durable product.<sup>153</sup> In so doing, the seller can control the durable product's quality by controlling the complementary product's quality without resorting to more expensive contractual quality provisions.<sup>154</sup>

However, critics may argue that a presumption of market power may be appropriate where less-restrictive alternatives are available.<sup>155</sup> If it is true that, where the defendant is able to prove legitimate business justification, the plaintiff is usually able to prove the existence of less-restrictive means of accomplishing the same business purpose,

149. Keith N. Hylton & Michael Salinger, *Tying Law And Policy: A Decision-Theoretic Approach*, 69 ANTITRUST L.J. 469, 504 (2001).

150. See GAVIL ET AL., *supra* note 12, at 712; Mark R. Patterson, *Coercion, Deception, and Other Demand-Increasing Practices in Antitrust Law*, 66 ANTITRUST L.J. 1, 62 n.275 (1998); Marius Schwartz & Gregory J. Werden, *A Quality-Signaling Rationale For Aftermarket Tying*, 64 ANTITRUST L.J. 387, 397 (1996).

151. Hylton & Salinger, *supra* note 149, at 485.

152. *Id.* at 503.

153. See Patterson, *supra* note 150, at 62 n.275; Schwartz & Werden, *supra* note 150, at 397.

154. See, e.g., *Dehydrating Process Co. v. A.O. Smith Corp.*, 292 F.2d 653, 656–57 (1st Cir. 1961) (holding that a patentee could reasonably refuse to sell his patented silo unloading device to competitors where the patentee demonstrated that the device tended to seriously malfunction unless used in conjunction with its own silos); Patterson, *supra* note 150, at 62 n.275 (“And in the case in which a seller uses a tie in lieu of more costly contractual protections—of quality, for example—the tie may be necessary because, though the improved quality benefits all buyers, in the absence of the tie some might free ride on the others’ efforts.”); Schwartz & Werden, *supra* note 150, at 395 (“[T]he principal pro-competitive rationale for tying was that it may be used to prevent tarnishing of the quality image of the durable product through the effects of poor performance caused by the use of inferior complements.”).

155. HOLMES, *supra* note 13, § 34:3 (“[T]he Courts have emphasized that the party seeking to rely upon a business justification defense must establish not only the competitive necessity of the arrangement, but the absence of some less restrictive alternative that might, instead, have been employed.”).

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then simply presuming market power in the first place would achieve the same outcome.<sup>156</sup>

Nonetheless, there is near consensus in the intellectual property community that *Independent Ink* was correctly decided. Many of the amici curiae urged the Court to abandon the market power presumption for not only patents, but also copyrights and other forms of intellectual property.<sup>157</sup> The Motion Picture Association of America asked the Court to “decline to presume that antitrust market power arises from the mere ownership of intellectual property rights, whether patents or copyrights,” arguing that such a presumption is not grounded in the Court’s precedents or its modern market power jurisprudence and “clashes with the Court’s teaching that antitrust presumptions should reflect market realities and sound economic reasoning.”<sup>158</sup> The Intellectual Property Law Association of Chicago similarly argued that “[t]he presumption makes little sense,” because it is inconsistent with current jurisprudence, is a “disincentive to innovation,” and the “potential benefits of the presumption are speculative and do not outweigh this disincentive.”<sup>159</sup> The Patent, Trademark & Copyright Section of the Bar Association of the District of Columbia urged the Court to clarify that patents are not per se monopolies under antitrust laws and that the market power presumption arose in part from semantic confusion between the legal monopoly granted to patent owners and the legal monopoly of antitrust law.<sup>160</sup>

However, a minority of commentators have argued that *Independent Ink* was wrongly decided. The International Imaging Technology Council and Remanufacturing Industries Council, in their amicus curiae brief, argued that the presumption of market power is vital to the survival of the print cartridge remanufacture industry.<sup>161</sup> The councils provided extensive evidence that the market structure is such that, if

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156. See, e.g., *County of Tuolumne v. Sonora Cmty. Hosp.*, 236 F.3d 1148, 1156 (9th Cir. 2001) (shifting the burden back to the plaintiff to demonstrate less restrictive alternatives upon a showing by defendants of legitimate business objectives).

157. Brief for the Motion Picture Ass’n of Am., Inc. et al. as Amici Curiae Supporting Petitioner at 4, *Illinois Tool Works, Inc. v. Indep. Ink, Inc.*, 547 U.S. 28 (2006) (No. 04-1329), 2005 U.S. S. Ct. Briefs LEXIS 523.

158. *Id.*

159. Brief of the Intellectual Property Law Ass’n of Chi. as Amicus Curiae Supporting Petitioner, *Illinois Tool Works, Inc. v. Indep. Ink, Inc.*, 547 U.S. 28 (2006) (No. 04-1329), 2005 U.S. S. Ct. Briefs LEXIS 482.

160. Brief of the Bar Ass’n of the Dist. of Columbia—Patent, Trademark & Copyright Section as Amicus Curiae Supporting Petitioner, *Illinois Tool Works, Inc. v. Indep. Ink, Inc.*, 547 U.S. 28 (2006) (No. 04-1329), 2005 U.S. S. Ct. Briefs LEXIS 522.

161. Brief of the Int’l Imaging Techn. Council & Remanufacturing Indus. Council as Amici Curiae Supporting Respondent at 5, *Illinois Tool Works, Inc. v. Indep. Ink, Inc.*, 547 U.S. 28 (2006) (No. 04-1329), 2005 U.S. S. Ct. Briefs LEXIS 656.

the large OEMs are permitted to condition their hardware sales on the purchase of ink, they will be able to completely eliminate competition from their smaller remanufacture rivals.<sup>162</sup>

Other scholars support a rebuttable presumption of market power, which would require the defendant to put forth sufficient evidence that market power is lacking.<sup>163</sup> For example, Professor Scherer argued, as amicus curiae, that the vast majority of litigated patents are valuable; thus, courts may presume that the patented product at issue is dominant in its relevant market, because it would otherwise not be valuable to the holder and would not be worth litigating.<sup>164</sup> However, *Independent Ink* eliminated the presumption entirely, placing the burden of proving market power on the party asserting illegal tying.

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162. The potential risks to the remanufacturing industry were summarized as follows:

The current state of the law permits the cartridge remanufacturing industry to continue to compete and provide price relief to consumers. . . . The loss of the presumption of market power could greatly increase litigation risks and costs for the small businesses that provide this vital competition in the ink business.

*Id.* at 8.

163. 10 AREEDA & HOVENKAMP, *supra* note 3, ¶ 1735e. An antitrust plaintiff is no different from any other plaintiff in that he “bears the burden of proof for each element necessary for its cause of action.” *Id.* “Because the defendant’s power in the tying market is such an element, the plaintiff must prove it.” *Id.* The plaintiff will then “prevail unless the defendant then offers evidence that would make such a conclusion unreasonable.” *Id.* A rebuttable presumption of market power acts as “the initial conclusion[ ] with which a reasonable factfinder begins,” relieving the plaintiff of his initial burden and shifting the burden to overcome the presumption to the defendant. *Id.* Such presumptions vary in strength and “[h]ow strong any presumption should be—that is, what is necessary to overcome it—depends on the particular presumption.” *Id.*

164. Brief of Professor F.M. Scherer as Amicus Curiae Supporting Respondent at 2–3, *Illinois Tool Works, Inc. v. Indep. Ink, Inc.*, 547 U.S. 28 (2006) (No. 04-1329), 2005 U.S. S. Ct. Briefs LEXIS 651. Professor Scherer stated that “[t]he willingness of plaintiffs in American judicial proceedings to expend such large sums demonstrates that the patents at issue are among the few patents with truly significant value. . . . And the value of a particular patent corresponds to that patent’s economic power.” *Id.* at 7, 8. In his brief, Professor Scherer goes on to state the following:

The essence of the patent privilege is the right to exclude others from making, using, or selling that which is covered by the patent during its life. The value of this right depends upon how valuable the product or process is to users. This in turn depends upon the closeness of substitute products or processes, patented or unpatented, which are available. When a patented product or process is not “better” in this sense no return to the patentee is possible. Many patents are economically useless. On the other hand, when a patent is “good enough,” and when its substitutes are remote, it may provide the patentee a very substantial return. It may give the patent holder enough economic power to substantially “control the market” in the field in which the patent applies. But “control of the market,” an invidious description in the absence of a legal monopoly, when a patent is involved, is merely a description of the patent’s value.

*Id.* (quoting WARD S. BOWMAN, JR., *PATENT AND ANTITRUST LAW: A LEGAL AND ECONOMIC APPRAISAL* 53 (1973)).

B. Copyrights

Courts should eliminate the market power presumption in the copyright tie-in context. This extension of patent tie-in law to copyrights—a closely related area of intellectual property, as discussed below<sup>165</sup>—is logical. The same policy rationale applies to copyrights,<sup>166</sup> and the right to exclude competitors conferred by copyrights has even less potential for competitive harm than that provided by patent rights.<sup>167</sup> Historically, courts have recognized that antitrust principles that apply to patents may also apply to copyrights.<sup>168</sup> Such a rule would also encourage software creators to copyright and disclose their creations to the public, rather than resort to the more favorable law of trade secret protection.<sup>169</sup>

Copyright and patent law are both rooted in the constitutional mandate to “promote the Progress of Science and Useful Arts.”<sup>170</sup> Copyright law does so by securing “a fair return for an author’s creative labor in the short run, while ultimately seeking to stimulate artistic creativity for the general public good.”<sup>171</sup> Put another way, “[t]he sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors” and “reward to the author or artist serves to induce release to the public of the products of his creative genius.”<sup>172</sup> Patents similarly reward inventors for giving the public new innovations, encouraging them to invest in innovation and disclose such innovations to the public.<sup>173</sup>

165. See *infra* notes 174–188 and accompanying text.

166. See *infra* notes 170–173 and accompanying text.

167. See *infra* notes 174–180 and accompanying text.

168. See *infra* notes 181–184 and accompanying text.

169. See *infra* notes 185–188 and accompanying text.

170. U.S. CONST. art. 1, § 8, cl. 8. One scholar has stated the following:

Notwithstanding the historical independence of patent and copyright from one another, both regimes have a common overall goal. They seek to promote the general welfare by protecting the fruits of intellectual creativity from activities that would undermine the author’s or inventor’s ability to reap a fair return from investments of time, money, or talent.

Dennis S. Karjala, *Distinguishing Patent and Copyright Subject Matter*, 35 CONN. L. REV. 439, 441 (2003).

171. *Image Tech. Servs., Inc. v. Eastman Kodak Co.*, 125 F.3d 1195, 1215 (9th Cir. 1997) (internal citations omitted) (quoting *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975)).

172. *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 158 (1948) (quoting *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932)).

173. Margo A. Bagley, *Academic Discourse and Proprietary Rights: Putting Patents in Their Proper Place*, 47 B.C. L. REV. 217, 238 n.95 (2006) (“Providing an incentive to disclose an invention is a well-established function of patent law.” (citing Rebecca S. Eisenberg, *Patents and the Progress of Science: Exclusive Rights and Experimental Use*, 56 U. CHI. L. REV. 1017, 1029–30

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Market power cannot necessarily be inferred from copyrights any more than from patent rights, because the exclusive right accorded by copyright is much less powerful than that granted by patent.<sup>174</sup> Copyright law provides a cause of action against individuals who copy the protected work of authorship, as long as the copy is substantially similar to the copyrighted design.<sup>175</sup> However, copyrights do not protect designs that are substantially similar but independently created.<sup>176</sup> Patents are more exclusionary, because they confer the right to exclude inventors who independently, but subsequently, invent the same invention. Although copyright protection is usually easier to secure and longer lasting,<sup>177</sup> “patent protection is more powerful [for] curbing competitors.”<sup>178</sup> Additionally, copyright law provides more liberal exceptions to infringement liability than does patent law, mainly through application of the fair use doctrine, which exempts from liability some uses for purposes “such as criticism, comment, news reporting, teaching . . . scholarship, or research.”<sup>179</sup> Fair use exempts many more uses of copyrighted materials “than does patent law with regard to activities that on their face may appear infringing.”<sup>180</sup>

Moreover, courts should align the market power presumption for copyrights with patent cases, because courts in tie-in cases generally apply the law regarding patent ties to those involving copyrights. In *United States v. Paramount Pictures, Inc.*, the Court held that the block-booking of copyrighted films “add[ed] to the monopoly of the copyright in violation of the principle of patent cases involving tying clauses.”<sup>181</sup> Similarly, in *United States v. Loew’s, Inc.*, the Court applied the *Paramount Pictures* reasoning to a similar copyright block-

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(1989); and Edmund W. Kitch, *The Nature and Function of the Patent System*, 20 J.L. & ECON. 265, 278 (1977)).

174. ROBERT A. GORMAN, *COPYRIGHT LAW* 6 (2d ed. 2006).

175. See LAFRANCE, *supra* note 96.

176. *Id.*

177. The 1909 Copyright Act granted an initial twenty-eight-year term of protection and a twenty-eight-year renewal term. GORMAN, *supra* note 174, at 55. The 1976 Copyright Act abandoned the renewal format and changed the term of protection to the author’s life plus fifty years. *Id.* In 1998, the Copyright Term Extension Act extended the term to the author’s life plus seventy years. See 17 U.S.C. §§ 302, 304 (2000).

178. GORMAN, *supra* note 174, at 7.

179. 17 U.S.C. § 107 (2000). Accord WILLIAM F. PATRY, *THE FAIR USE PRIVILEGE IN COPYRIGHT LAW* (2d ed. 1995); WILLIAM F. PATRY, *LATMAN’S THE COPYRIGHT LAW* 239–55 (6th ed. 1986).

180. Roger D. Blair & Thomas F. Cotter, *An Economic Analysis Of Seller And User Liability In Intellectual Property Law*, 68 U. CIN. L. REV. 1, 12 (1999) (discussing the reasons why the rule relating to user liability is so different from the rule followed in trade secret, copyright, and trademark law).

181. 334 U.S. 131, 158 (1948).

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booking case to find the tie-in illegal.<sup>182</sup> In *Lasercomb America, Inc. v. Reynolds*, the Fourth Circuit allowed a copyright misuse defense to stand, reasoning that “a misuse of copyright defense is inherent in the law of copyright just as a misuse of patent defense is inherent in patent law.”<sup>183</sup> The *Independent Ink* Court discussed *Loew’s* and *Paramount Pictures* and concluded that tying arrangements involving patented products should not be evaluated under the *Loew’s* per se standard.<sup>184</sup>

Furthermore, the presumption of market power in copyright cases may discourage software producers from acquiring copyright protection. The copyright bargain requires creators of literary or artistic works to forgo trade secret protection in exchange for sharing their works with the public.<sup>185</sup> Despite the drawbacks of trade secret protection,<sup>186</sup> the current state of antitrust law in copyright tie-in cases may serve as a disincentive for authors or artists to choose copyright over trade secret protection.<sup>187</sup> This is an especially important consideration, given that the economy continues to shift toward computer and Internet-based businesses.<sup>188</sup>

182. 371 U.S. 38, 46 (1962).

183. 911 F.2d 970, 973 (4th Cir. 1990).

184. *Illinois Tool Works, Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 42 (2006) (“[W]e conclude that tying arrangements involving patented products should be evaluated under the standards applied in cases like *Fortner II* and *Jefferson Parish* rather than under the *per se* rule applied in *Morton Salt* and *Loew’s*.”).

185. See, e.g., 1 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 2.47 (“Congress has clearly sought to further the important public purposes . . . of rewarding the creators of copyrighted works and of promoting broad public availability of literature, music, and the other arts.”).

186. To protect a trade secret, secrecy is required, making it difficult for authors of software and other works to sell or license their works, because it is difficult to persuade someone to pay for an undisclosed idea. Once it is disclosed, the author has nothing left to sell. See Bagley, *supra* note 173, at 274 n.95 (discussing this trade-off in the patent context). And “copyright in a computer program protects only against copying the sequence of commands . . . . It does not prevent a person from replicating the process that the computer program implements, provided there is no copying of the program.” GORMAN, *supra* note 174, at 5. Patent protection of the production process, including the program, may be more protective where the patentability requirements are met, as it will preclude others from using the process even if independently originated. *Id.*

187. JAGER, *supra* note 118, § 11:01 (noting that the dichotomy between the market power presumption law of copyrights and trade secrets “may be an important consideration in deciding whether to protect software by copyright or as a trade secret”).

188. LANDES & POSNER, *supra* note 6, at 390. (“[F]ocus of antitrust in regard to intellectual property has been on firms in the ‘new economy,’ . . . such as Intel, . . . Microsoft, and Internet-based businesses . . . such as AOL and Amazon.com.”). One scholar further stated as follows:

[C]omputer software may be protected under the patent, copyright and trade secrets laws. . . . [T]rade secret law is emerging as probably the most appropriate protection . . . . At least under current law and practice, patent and copyright protection each have significant drawbacks and may, indeed, be currently serving to some degree to unnecessarily impede technological and commercial progress.

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*D. Trademarks*

Courts should also eliminate the market power presumption in the trademark tie-in context. Such a change in the law is logical, given that trademark rights serve an important public purpose that should not be deterred<sup>189</sup> and that trademark rights are far less exclusionary than patent rights.<sup>190</sup> If courts do not eliminate the presumption, they will confuse its applicability in cases where trademarked products are also patented or copyrighted.<sup>191</sup> Furthermore, it makes sense to align the law regarding the market power presumption, because courts have applied the logic of patent and copyright tie-in cases to trademark tie-in cases.<sup>192</sup>

Trademarks serve a public interest somewhat distinct from that of patents and copyrights. The public purpose of patents and copyrights stems from the Constitution, which provides that “[t]he Congress shall have the power . . . to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>193</sup> To carry out this objective, patent law offers “a right of exclusion for a limited period as an incentive to inventors to risk the often enormous costs in terms of time, research, and development.”<sup>194</sup> By contrast, the Constitution does not mention trademarks. Rather, the Lanham Act protects trademarks and provides an aggrieved party a federal cause of action against anyone who, “on or in connection with any goods . . . uses in commerce any word, term, name, symbol, or device, or any combination thereof” in a manner that is likely to cause confusion as to the product’s origin.<sup>195</sup> The Lanham Act serves the following purposes: (1) it protects the public from confusing and deceptive trademarks; and (2) it provides security against misappropriation for trademark owners who have invested resources in presenting their products to the public, ensuring that they have the sole right to exploit whatever goodwill the merits of their product warrant.<sup>196</sup> Unlike pat-

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GALE R. PETERSON, TRADE SECRET PROTECTION IN AN INFORMATION AGE § 1.2 (1997).

189. See *infra* notes 193–197 and accompanying text.

190. See *infra* notes 198–202 and accompanying text.

191. See *infra* notes 203–204 and accompanying text.

192. See *infra* notes 205–206 and accompanying text.

193. U.S. CONST. art. I, § 8, cl. 8 (emphasis added).

194. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974).

195. 15 U.S.C. §§ 1114, 1125(a) (2000).

196. The Court summarized the purposes of the Lanham Act as follows:

The Lanham Act provides national protection of trademarks in order to secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers. National protection of trademarks is desir-

ent and copyright protection, trademark protection has evolved not from the desire to promote innovation and creativity, but from the belief that it is in the public interest that consumers recognize the goods and services of a particular provider and are able to distinguish those goods or services from the goods or services of another provider.<sup>197</sup>

Moreover, trademark rights are far less exclusionary than patent rights, making a presumption of market power for trademarks even more illogical than for patents. Trademark rights are nonexclusionary, compared with the exclusionary rights associated with patent and copyright, because they do not give the trademark owner exclusive rights over the production, use, or sale of products or services.<sup>198</sup> Trademark rights prevent competitors from using the same or confusingly similar marks in a way that may mislead consumers, but trademarks do not protect against all unauthorized uses of the mark—only against uses in connection with the offering of goods or services.<sup>199</sup> Patent rights, on the other hand, prevent others from making, using, selling, or offering to sell any identical or obvious variation of the patented invention, regardless of whether that use is in connection with the offering of goods or services or whether the invention was copied or developed independently.<sup>200</sup> But trademarks give their owners a monopoly over use of the trademark in marketing products,<sup>201</sup> and the Lanham Act will not protect a trademark where it “has been or is being used to violate the antitrust laws of the United States.”<sup>202</sup>

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able, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation.

Park ‘N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189, 198 (1985) (internal citations omitted). See also KALINOWSKI, *supra* note 18, § 72.04[1].

197. KALINOWSKI, *supra* note 18, § 72.04[1]. The Federal Circuit stated the following:

Although the protection of trade identification is a goal of the Lanham Act, § 43(a) seeks an appropriate balance among the divergent policies of protecting and encouraging creators and enabling fair competition by copiers, with the purpose of protecting consumers from confusion or palming off, while enhancing the consumer benefits of competition.

L.A. Gear, Inc. v. Thom McAn Shoe Co., 988 F.2d 1117, 1132 (Fed. Cir. 1993).

198. 15 U.S.C. § 1127 (2000).

199. See LAFRANCE, *supra* note 96. An available defense to trademark infringement is “fair use” of the trademark where the allegedly infringing use of the mark is “a use, otherwise than as a mark, of the party’s individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.” 15 U.S.C. § 1115(b)(4). See also GILSON, *supra* note 99, § 11.08[3][d].

200. See LAFRANCE, *supra* note 96.

201. KALINOWSKI, *supra* note 18, § 72.01[1].

202. 15 U.S.C. § 1115(b)(7) (2000).

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Furthermore, it is illogical and impractical to apply two different standards to tie-in cases where a product is both trademarked and patented.<sup>203</sup> Courts have “consistently held that a product’s different qualities can be protected simultaneously, or successively, by more than one statutory means for protection of intellectual property.”<sup>204</sup> In such a case, it would be impossible for a court to presume that the patented aspect of a product conferred market power, while the trademarked aspect did not.

Because courts have applied the logic of patent tie-in cases to copyright tie-in cases, it follows that the law with respect to the presumption of market power may also be applicable to trademark law. For example, in *Siegel v. Chicken Delight, Inc.*, the Ninth Circuit held that the presumption of market power for patent and copyright tie-ins also applies to trademarks.<sup>205</sup> The court stated the following:

Just as the patent or copyright forecloses competitors from offering the distinctive product on the market, so the registered trade-mark presents a legal barrier against competition. It is not the nature of the public interest that has caused the legal barrier to be erected that is the basis for the presumption, but the fact that such a barrier does exist. Accordingly we see no reason why the presumption that exists in the case of the patent and copyright does not equally apply to the trade-mark.<sup>206</sup>

The same reasoning should apply to eliminate the presumption of market power in trademark cases.

### *E. Trade Secrets*

Tie-ins involving only trade secrets are not—and have never been—subject to the market power presumption.<sup>207</sup> “Although trade secrets and patents have many similar intellectual property attributes, and accomplish many of the same public policy goals, [trade secrets] differ markedly in the features and characteristics pertinent to antitrust law. The most significant difference is in monopoly power.”<sup>208</sup> Due to these inherent distinctions, trade secrets are much harder to fit into the “mold of a patent” than are copyrights and trademarks.<sup>209</sup> Courts

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203. It is undoubtedly lawful—and increasingly common—that products are protected by both copyrights and patents. See *Kohler Co. v. Moen, Inc.*, 12 F.3d 632, 638 (7th Cir. 1993).

204. *Id.*

205. 448 F.2d 43, 50 (9th Cir. 1971).

206. *Id.* at 50.

207. See *supra* notes 114–131 and accompanying text.

208. *JAGER*, *supra* note 118, § 11:02.

209. *Id.*

have recognized this and have applied federal antitrust laws “with less vigor to a trade secret license than to a patent license.”<sup>210</sup>

The *Independent Ink* ruling effectively aligned patent tie-in law with trade secret tie-in law. This discussion of trade secrets, therefore, does not call for a change in trade secret law, but compares trade secrets with patents, copyrights, and trademarks to demonstrate that a rule used in both patent and trade secret contexts should also apply to copyrights and trademarks, given their similarities.

Unlike patent, copyright, and trademark law, which entail constitutional or statutory rights of exclusion, trade secret law is a common law protection afforded to owners while the trade secrets remain secret.<sup>211</sup> Thus, the restrictive effect on competitors associated with trade secret rights is less than that derived from patent, copyright, and trademark rights.<sup>212</sup>

Critics may argue that a trade secret is more exclusive than a patent, because the patent term is limited to twenty years,<sup>213</sup> while trade

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210. *Id.*

211. *Id.* “Trade secret” is statutorily defined as follows:

[A]ll forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if—(A) the owner thereof has taken reasonable measures to keep such information secret; and (B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public . . . .

18 U.S.C. § 1839(3) (2000).

212. HOLMES, *supra* note 13, § 28.1 (2006) (“Normally, the competitive effect of licensing restraints involving trade secrets, let alone other forms of know-how, will be relatively narrow in scope, due to the limited exclusionary reach of these forms of intellectual property.”). That trade secret protection is generally weaker than other types of intellectual property protection is also evidenced by courts allowing broader freedom of contract in the realm of trade secret law. *See C. Rachal Pugh, Bernier v. Merrill Air Engineers*, 17 BERKELEY TECH. L.J. 231, 245 (2002) (discussing *Warner-Lambert Pharm. Co. v. Reynolds*, 178 F. Supp. 655 (S.D.N.Y. 1959), which held that the payment of royalties under a trade secret licensing agreement was binding even after public disclosure of the secret, in contrast to the well-established copyright and patent principle that, once legal protection ends, royalty payments must end). In tie-in cases where licensing of a patented product is tied to licensing of the associated trademark, attempts to justify the continuation of royalties by arguing that the royalty could be limited to the trademark alone will probably be unsuccessful. *See Brulotte v. Thys Co.*, 379 U.S. 29, 33–34 (1964) (holding that enforcing a contract for the payment of royalties beyond the patent’s expiration date is an impermissible extension of the statutory patent monopoly); KALINOWSKI, *supra* note 18, § 74.01[4][b] n.75.

213. 35 U.S.C. § 154(a)(2) (“Subject to the payment of fees under this title, such grant shall be for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was filed in the United States . . . .”).

secrets may be protected indefinitely.<sup>214</sup> However, once a trade secret becomes public, all protection is gone.<sup>215</sup> Additionally, unlike patent law, the owner of a trade secret does not have a monopoly, because she does not have the right to “exclude all others from acquiring, using or disclosing the trade secret, regardless of how they came upon it.”<sup>216</sup> Trade secret law provides a cause of action only against those under a duty to maintain the secrecy of the information contained in the trade secret and does not protect the trade secret holder against one who independently develops or otherwise legitimately obtains the secret.<sup>217</sup>

By contrast, a patent owner may prevent even innocent infringement.<sup>218</sup> Similarly, a trademark owner may prevent trademark infringement, regardless of fault, if the use of a mark is likely to cause confusion, mistake, or deception.<sup>219</sup> A copyright owner is specifically granted several enumerated exclusive rights to a copyright, including the rights to make copies, prepare derivative works, and distribute copies and can prevent infringement of these exclusive rights, regardless of the intent of the alleged infringer.<sup>220</sup> Thus, the exclusionary rights derived from a trade secret are much narrower than those derived from a patent, because they cannot prevent competitors who “do so fairly and honestly” from developing identical trade secrets.<sup>221</sup> It necessarily follows that “what is true for patents or copyrights

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214. JAGER, *supra* note 118, § 11:02.

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215. *Id.* Generally, to prove the existence of a valid trade secret, the plaintiff must prove that the information is not generally known to others:

One who makes or vends an article which is made by a secret process or private formula cannot appeal to the protection of any statute creating a monopoly in his product. . . . The public is free to discover it if it can by fair and honest means and when discovered, anyone has the right to use it.

HOLMES, *supra* note 13, § 28:1 (quoting *John D. Park & Sons Co. v. Hartman*, 153 F. 24, 29 (6th Cir. 1907)). See Michael Coblenz, *Intellectual Property Crimes*, 9 ALB. L.J. SCI. & TECH. 235, 292–93 (1999).

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216. Michael J. Hutter, *The Case For Adoption of A Uniform Trade Secrets Act in New York*, 10 ALB. L.J. SCI. & TECH. 1, 19 (1999).

217. KALINOWSKI, *supra* note 18, § 72.05. Similarly, Professor Jager stated the following:

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A right of exclusion does not exist for trade secrets. A trade secret is a product of secrecy, and ceases to exist when secrecy is lost. The trade secret owner has no monopoly on its use, but a proprietary right which equity protects against taking or using by improper means. Generally, independent development, reverse engineering, and lack of secrecy are defenses to misappropriation of trade secrets.

JAGER, *supra* note 118, § 11:02. Accord Coblenz, *supra* note 215, at 293.

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218. 35 U.S.C. § 271(a) (2000).

219. 15 U.S.C. § 1114(1)(a) (2000).

220. 17 U.S.C. § 106 (2000).

221. HOLMES, *supra* note 13, § 28:1.

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should be all the more true for trade secrets, with their more limited exclusionary impact on competitors.”<sup>222</sup>

#### IV. CONCLUSION

The *Independent Ink* Court correctly held that antitrust scrutiny of tying arrangements should be the same for all products, regardless of the type of intellectual property.<sup>223</sup> A patent, copyright, or trademark is no different from any other property right, and, unless the property owner dominates its market, neither ownership nor the power to exclude others conveys monopoly power. Thus, an antitrust plaintiff must prove market power.

Yet it remains unclear whether the market power presumption is still applicable in copyright and trademark cases. It seems illogical for courts not to presume market power for patents and trade secrets, given that they are on opposite ends of the intellectual property spectrum, but continue to presume market power for copyrights and trademarks. Copyrights and patents share the same policy rationale, and the right to exclude competitors conferred by copyrights has less potential for competitive harm than that of patent rights. Courts have also historically recognized that antitrust principles that apply to patents may also apply to copyrights. Similarly, trademarks serve an important public purpose that should not be deterred, and the rights conferred by trademarks are far less exclusionary than patent rights. Applicability of the presumption will be confused where trademarked products are also patented or copyrighted, and courts have applied the logic of patent and copyright tie-in cases to trademark tie-in cases.

Trade secret rights, however, are not as similar to patents as copyrights and trademarks are to patents. But, even though it is much harder to fit a trade secret into the “mold of a patent,”<sup>224</sup> courts must treat trade secret tie-ins and patent tie-ins the same. Therefore, the Court should clarify that copyrights and trademarks are sufficiently analogous to patents and trade secrets to warrant the same elimination of the market power presumption for tying arrangements.

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222. *Id.* § 28:2.

223. *See supra* notes 138–164 and accompanying text.

224. JAGER, *supra* note 118, § 11:02.

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