Independent Ink at the Crossroads of Antitrust and Intellectual Property Law: The Court’s Holding Regarding Market Power in Cases Involving Patents and Implications in Cases Involving Copyrights

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I. INTRODUCTION

For almost ninety years, the Supreme Court regarded tying arrangements—contracts to sell a product only on the condition that the buyer also take a second product—with deep suspicion under the antitrust laws. The Court’s distrust of such arrangements arose from the danger that a seller holding monopoly power in the market for the first product (the “tying” product) could extend that power into the second (“tied”) product’s market by forcing buyers to take an additional product that they either did not want or would have preferred to buy from another seller. The Court’s antitrust jurisprudence was dominated by the fear that a company would unlawfully leverage its monopoly power to acquire market share from competitors or to create high barriers to entry for new market participants. This fear dominated even though many companies develop tying arrangements for legitimate purposes and not to suppress competition.

For example, a software company might legitimately refuse to sell its word processor application (a copyrighted work) unless the buyer also

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1. See discussion infra Part II.A.
2. See discussion infra Part II.A.
purchases the company's operating system. Or a software company might legitimately refuse to sell its computer operating system software (also a copyrighted work) unless the buyer also purchases the company's computer hardware because each product works best only when properly supported by the other. Similarly, a company might tie the sale of copyrighted instructions for manufacturing widgets to the purchase of one of the key ingredients for the procedure—thus facilitating competition by allowing low volume users to purchase the instructions at a lower cost while high volume users pay more based on their intensity of use. As these examples show, a copyright owner may wish to tie sales of different products for a variety of economically efficient reasons, including quality control, consumer satisfaction, reducing overall costs through economies of scale, and price discrimination.

Since patents and copyrights have the potential to create legally sanctioned monopolies in particular markets, the Supreme Court has viewed tying arrangements involving patented or copyrighted products with particular mistrust. For over a half-century, the Court maintained two presumptions that together prevented any patent or copyright holder from tying sales of their product to any other item. We will refer to the two presumptions as the "tying arrangement presumption" and the "market power presumption." According to the tying arrangement presumption, tying arrangements were per se violations of the antitrust laws if the company initiating the tying arrangement also enjoyed "market power" in the tying product market. According to the market power presumption, the legal monopolies granted by a patent or copyright were presumed to confer market power sufficient to bring a tying arrangement within the per se presumption of illegality. No evidence of healthy competition in the tying product market, or even of a particular tying arrangement's pro-competitive effects, would exempt a patent or copyright holder from per se liability under the antitrust laws.

Over the past thirty years, however, courts gradually began to exhibit a more tolerant attitude toward tying arrangements, acknowledging that tying arrangements are not always anticompetitive. In Jefferson Parish Hospital District No. 2 v. Hyde, decided in 1984, a majority of the Supreme Court continued to hold that "certain tying arrangements pose

5. See discussion infra Part II.A.
6. Jefferson Parish, 466 U.S. at 17-18. "Market power" is defined as the power to charge supernormal prices. Id. at 27 n.46.
7. Loew's, 371 U.S. at 46.
8. Id.
an unacceptable risk of stifling competition and therefore are unreasonable ‘per se;’
however, four justices argued that the per se rule should be abandoned. The same four justices repudiated the long-held notion that “tying arrangements serve hardly any purpose beyond the suppression of competition.” At the same time, lower courts began to question both the validity of the market power presumption and the rationale behind it, noting correctly that patents and copyrights frequently confer little, if any, market power. After extensive criticism of the market power presumption by academics, lower courts, and even the Antitrust Division of the Justice Department, the Supreme Court finally eliminated the presumption for patents in Illinois Tool Works v. Independent Ink. As a result, for the first time since the 1940s, a plaintiff in an antitrust lawsuit involving a patented product must establish that the patent holder has monopoly power in the relevant market.

By eliminating the market power presumption for patent holders, Independent Ink calls into question the presumption’s continued validity for tying arrangements involving copyrights. While the Court’s holding directly applies only to patents, we present three reasons why, after Independent Ink, the presumption can no longer be viable in antitrust lawsuits challenging a tying arrangement involving a copyrighted product. First, the Court’s rationale for eliminating the presumption—including citations to extensive academic writings, agency guidelines, and legislative amendments—precludes the presumption’s continued application in any other context. Second, copyrights are significantly less likely than patents to confer market power because the scope of the limited monopoly granted by the copyright laws is narrower than that conferred by the patent laws. Therefore, once the Court has found the presumption to be invalid in the patent context, there is no reasonable basis for its continued application to tying arrangements involving copyrights. Third, as the Court’s tolerance toward tying arrangements has increased over the past thirty years, the Court has become increasingly reluctant to

10. See id. at 35 (O’Connor, J., concurring).
11. Id. at 34–35; see also Standard Oil Co. of Cal. v. United States, 337 U.S. 293, 305 (1949).
12. See A.I. Root Co. v. Computer/Dynamics, Inc., 806 F.2d 673, 676 (6th Cir. 1986); USM Corp. v. SPS Techs., Inc., 694 F.2d 505, 511 (7th Cir. 1982).
13. See infra notes 87, 91, 94, and 107 and accompanying text.
17. Id. at 1291.
find the market power required to make tying arrangements per se illegal. Given *Independent Ink'*s holding that “many tying arrangements, even those involving patents and requirements ties, are fully consistent with a free, competitive market,” it would be anomalous to preserve a presumption that condemns all copyright tying arrangements without requiring any showing of market power or anticompetitive effect.

In Part II of this article we review the history of the Court's tying cases, chronicling the steady construction of the market power presumption as well as the Court's increasing distrust of tying arrangements in general. We also note the Court's particular antipathy toward tying arrangements involving intellectual property. We then describe the partial deconstruction of those presumptions, culminating in the recent abolition of the presumption of market power for patent holders in *Independent Ink*. In Part III, we argue that, consistent with the Court's reasoning in the patent context, *Independent Ink* should signal the end of the market power presumption for copyright holders in antitrust cases. Accordingly, just as tying arrangements involving patented products are not condemned per se, tying arrangements involving copyrighted products should not be condemned per se under the antitrust laws unless the plaintiff is able to prove market power.

II. HISTORY OF THE MARKET POWER PRESUMPTION

A. The Court's Construction of the Market Power Presumption

The Supreme Court's concern regarding tying arrangements emerged out of patent infringement cases and was only later imported into the Court's antitrust jurisprudence. The Court's concern was first expressed in Chief Justice White's 1912 dissent in *Henry v. A.B. Dick Co.* Plaintiff patented mimeograph machine on the condition that the licensee use only its unpatented ink in the machine. The Supreme Court held that the use of a competitor's ink, in violation of the license agreement, constituted infringement. In response, Chief Justice White wrote a lengthy dissent, warning that such license agreements granted the patentee "the power, by contract, to extend his patent rights so as to bring within the claims of his patent things which are not embraced therein" and "to multiply monopolies at . . . will." Two years later, Congress took heed of that warning and enacted § 3 of the Clayton

18. *Id.* at 1292.
19. 224 U.S. 1 (1912).
20. *Id.* at 26.
21. *Id.* at 48-49.
22. *Id.* at 53.
Act, thereby prohibiting tying the sale of one good to another.\textsuperscript{23} In doing so, Congress "expressed great concern about the anticompetitive character of tying arrangements."\textsuperscript{24} Three years after the passage of the Clayton Act, when confronted again with a contract tying a patented product to an unpatented product—a patented movie projector tied to unpatented movie films—the Court condemned the arrangement.\textsuperscript{25} Movie films, reasoned the Court in \textit{Motion Picture Patents Co. v. Universal Film Manufacturing Co.}, are not part of the patented projector, and, therefore, the purchase of the supplies elsewhere could not infringe the patent.\textsuperscript{26} Throughout its opinion, the Court referred to a patent "monopoly," meaning that the patentee was granted the exclusive right to make and sell the patented article.\textsuperscript{27} Although the fact that an article is patented does not mean that it would be in demand, the Court recognized that the patented projector in \textit{Motion Picture} was especially valuable and that the plaintiff had attempted to control the entire industry through it.\textsuperscript{28} Restricting the purchase of supplies used with the projector would be "[t]he perfect instrument of favoritism and oppression," empowering the patentee to "ruin anyone unfortunate enough to be dependent upon its confessedly important improvements for the doing of business."\textsuperscript{29} When the plaintiff claimed that its arrangements allowed "the sale of the machine at what is practically its cost," the Court responded:

This fact, if it be a fact, instead of commending, is the clearest possible condemnation of, the practice adopted, for it proves that under color of its patent, the owner intends to and does derive its profit, not from the invention on which the law gives it a monopoly, but from the unpatented supplies with which it is used, and which are wholly without the scope of the patent monopoly, thus in effect extending the power to the owner of the patent to fix the price to the public of the unpatented supplies as effectively as he may fix the price on the patented machine.\textsuperscript{30}


\textsuperscript{25} See \textit{Motion Picture}, 243 U.S. at 518–19.

\textsuperscript{26} Id.

\textsuperscript{27} See id. at 516–17.

\textsuperscript{28} Id. at 519.

\textsuperscript{29} Id. at 515.

\textsuperscript{30} Id. at 517 (emphasis added).
The Supreme Court, in effect, concluded that the plaintiff was gouging users by collecting twice for the invention—once when the machine was sold and again when film was used. The Court refused to use the patent enforcement machinery to "give to the plaintiff such a potential power for evil over an industry which must be recognized as an important element in the amusement life of the nation."\(^3\)

In subsequent cases defining the extent of patent infringement, the Court similarly assumed that by tying the purchase of a patented product to the purchase of an unpatented product, the patentee was extending its economic control to the unpatented product and thereby restraining competition.\(^2\) The Supreme Court based its holdings in *A.B. Dick* and *Motion Pictures* on the law of patent misuse.\(^3\) However, the concerns that the Court expressed in those and subsequent patent misuse cases soon migrated from patent to antitrust law. In the first such case, *International Salt Co. v. United States*, defendant International Salt leased its patented salt-dispensing machines on the condition that the lessees purchase the necessary salt from it.\(^4\) The Supreme Court declared that "it is unreasonable, *per se*, to foreclose competitors from any substantial market."\(^5\) The Court then concluded, without reference to any evidence or line of reasoning, that "[t]he volume of business affected by these contracts cannot be said to be insignificant or insubstantial and the tendency of the arrangement to accomplishment of monopoly seems obvious."\(^6\) But the Court did not identify the monopoly to which it was referring. Was it a monopoly in salt-dispensing machines? In salt? Apparently it did not matter. The Court held that International Salt's leases violated § 1 of the Sherman Act and § 3 of the Clayton Act.\(^7\)

The *International Salt* decision established a per se rule against tying arrangements.\(^8\) The Court viewed such arrangements as inherently anticompetitive, possessing little or no legitimate purpose.\(^9\) As Justice

\(^{31}\) Id. at 519.


\(^{34}\) 332 U.S. 392, 394–95 (1947).

\(^{35}\) Id. at 396.

\(^{36}\) Id.

\(^{37}\) Id. at 395–96.

\(^{38}\) See *Standard Oil Co.* of Cal. v. United States, 337 U.S. 293, 305 (1949); *United States v. Columbia Steel Co.*, 334 U.S. 495, 522–23 n.22 (1948) (citing *Int'l Salt* for the proposition that tying the license of a patented device to the use of unpatented materials is an example of a restraint that is "illegal *per se*").

\(^{39}\) *Int'l Salt*, 332 U.S. at 396.
Frankfurter wrote in 1949, "tying agreements serve hardly any purpose beyond the suppression of competition." 40 Consistent with this critical view, the Court's antitrust jurisprudence during this period implied that virtually any tying arrangement would be found to violate the antitrust laws. 41 Although the Court purported to require a showing of market power in the tying product, it managed to find market power in almost any tying arrangement, including those arrangements in which the tying product fell far short of market dominance. 42 For all practical purposes, the Court established a true per se rule against tying arrangements, reducing the requirement that a plaintiff prove market power to a mere formality, the fulfillment of which was guaranteed. 43

The Supreme Court's distrust of tying arrangements reached a pinnacle in 1958 with its decision in Northern Pacific Railway Co. v. United States. 44 The defendant railroad had sold land along its right of way on the condition that the buyers use its line for any shipments of commodities produced or manufactured on that land unless a competing carrier offered better rates. 45 The Supreme Court condemned the tying arrangement as per se illegal under § 1 of the Sherman Act. 46 Such arrangements, the Court noted, fall within the category of "agreements or practices which because of their pernicious effect on competition and lack of any redeeming virtue are conclusively presumed to be unreasonable and therefore illegal without elaborate inquiry as to the precise harm they have caused or the business excuse for their use." 47

In response to the defendant's objection that it had no power in the market for land, the Court held that market power in the tying product is unnecessary. 48 The Court concluded it is enough if the tying product has sufficient power to command the arrangement: "The very existence of this host of tying arrangements is itself compelling evidence of the defendant's great power, at least where, as here, no other explanation has

41. See, e.g., cases cited supra note 40.
44. 356 U.S. 1 (1958).
45. Id. at 3.
46. Id. at 5.
47. Id.
48. Id. at 11–12.
been offered for the existence of these restraints." As Judge Robert Bork would later observe, the Court’s logic in *Northern Pacific* "merely emphasized the degree to which the entire development of the law of tying arrangements rested upon an intuition that is held above the ordinary processes of disproof."

The Supreme Court’s approach made it impossible to distinguish between tie-in sales and any other sales, as was clearly demonstrated in *Fortner Enterprises, Inc. v. United States Steel Corp.* (*Fortner I*). The defendant, United States Steel, manufactured and sold prefabricated homes. It also offered real estate developers particularly favorable financing for the purchase of land through its wholly owned credit corporation. Such financing, however, was available only on the condition that a United States Steel home be erected on each of the lots purchased by the loan proceeds. Fortner, which received one of these loans, sued United States Steel under §§ 1 and 2 of the Sherman Act, alleging an illegal tying arrangement. The district court rejected Fortner’s claim because United States Steel lacked “sufficient economic power” over credit, the tying product. The Supreme Court reversed in a 5 to 4 opinion, explaining that the district court had misunderstood the Court’s precedent. “The standard of ‘sufficient economic power,’” it noted, “does not . . . require that the defendant have a monopoly or even a dominant position throughout the market for the tying product.” To the contrary, “the presence of any appreciable restraint over competition provides a sufficient reason for invalidating the tie. Such appreciable restraint results whenever the seller can exert some power over some of the buyers in the market . . . .” The unique economic ability of United States Steel to offer financing on unusually advantageous terms, reasoned the Court, “disclose[d] the possibility of market power over borrowers in the credit market.”

The four dissenting Justices argued that the plaintiff had not offered proof that United States Steel exerted any market power over the tying

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49. Id. at 7–8.
50. BORK, supra note 43, at 368.
52. Id. at 496–97.
53. Id. at 497.
54. Id.
55. Id. at 496–98.
56. Id. at 499.
57. Id.
58. Id. at 502.
59. Id.
60. Id. at 502–03.
product. The simple fact that customers purchased the package did not itself suffice to prove market power in the tying product. In fact, as the dissent noted, "[p]rovision of favorable credit terms may be nothing more or less than vigorous competition in the tied product, on a basis very nearly approaching the price competition which it has always been the policy of the Sherman Act to encourage." In other words, by providing "ancillary services" in connection with the sale of the "tied product," a seller like United States Steel could effectively lower the price of its product and thereby facilitate (rather than restrain) competition. Ultimately, as discussed below, the dissenters would prevail, but not until Fortner II reached the Supreme Court eight years later.

Northern Pacific and Fortner I concerned tying arrangements involving sales of land and prefabricated homes, respectively, but the Court also condemned tying arrangements involving patented or copyrighted products. Indeed, the Court had established the per se rule against tying arrangements in a case in which the tying product was subject to a patent. Shortly thereafter, the Court stated, albeit in dicta, that a patent "is at least prima facie evidence" of market control even though "there may be many competing substitutes for the patented article." The Supreme Court extended this same logic to copyrights in United States v. Paramount Pictures, Inc. The plaintiff in that case had engaged in "block-booking," i.e., the practice of licensing or offering for license one or more films on the condition that the exhibitor also license an additional one or more films. The Court condemned the practice because it "add[ed] to the monopoly of a single copyrighted picture that of another copyrighted picture." "Each [film] stands not on its own footing but in whole or in part on the appeal which another film may have." In reaching this conclusion, the Court did not determine, much less discuss, whether the copyright conferred market power on defendants.

61. Id. at 514–19 (White, J., dissenting).
62. Id. at 517.
63. Id. at 511.
64. Id. at 525 (Fortas, J., dissenting).
68. See, e.g., Standard Oil Co. of Cal. v. United States, 337 U.S. 293, 304 (1949).
69. Id. at 307.
70. 334 U.S. at 158–59.
71. Id. at 156.
72. Id. at 157–58.
73. Id. at 158.
In United States v. Loew's Inc., which also involved the practice of block-booking films,\textsuperscript{74} the Court sounded the death knell for all tying arrangements involving either patented or copyrighted products.\textsuperscript{75} Although the district court found that there was "keen competition" between the studio defendants, it nonetheless concluded that the practice constituted an illegal tie.\textsuperscript{76} The Supreme Court affirmed, stating that "[t]he requisite economic power is presumed when the tying product is patented or copyrighted," as were the films at issue.\textsuperscript{77} The Court explained that "the existence of a valid patent . . . establishes a distinctiveness sufficient to conclude that any tying arrangement involving the patented product would have anticompetitive consequences."\textsuperscript{78} Copyrights, according to the Court, were no different.\textsuperscript{79}

**B. The Deconstruction of the Market Power Presumption**

In this section, we turn to the "deconstruction" of the market power presumption in tying cases, including those involving patented products. We begin with several precursors to the Supreme Court’s deconstruction of the market power presumption as expressed by academics,\textsuperscript{80} lower courts,\textsuperscript{81} executive agencies,\textsuperscript{82} and Congress.\textsuperscript{83} Even in the face of such vocal criticism, the Supreme Court steadfastly recognized the presumption that patents and copyrights conveyed market power in the tying product.\textsuperscript{84} That recognition changed, in part, in Independent Ink,\textsuperscript{85} which we also discuss below.

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\textsuperscript{74} 371 U.S. 38, 40 (1962).
\textsuperscript{75} Id. at 49–50.
\textsuperscript{76} Id. at 41.
\textsuperscript{77} Id. at 45–46.
\textsuperscript{78} Id. at 46.
\textsuperscript{79} Id. at 46–47.
\textsuperscript{80} See, e.g., infra notes 87, 92; see also Montgomery, supra note 42.
\textsuperscript{81} See generally USM Corp. v. SPS Techs., Inc., 694 F.2d 505 (7th Cir. 1982) (patents do not necessarily confer market power and tying arrangements may, in fact, promote efficiency rather than undermine competition); 3 P.M., Inc. v. Basic Four Corp., 591 F. Supp. 1350, 1358–60 (E.D. Mich. 1984) (party alleging violation of antitrust laws not relieved of burden of showing economic power with regard to copyrighted product); In re Data Gen. Corp. Antitrust Litig., 490 F. Supp. 1089, 1113 (N.D. Cal. 1980) (patent or copyright regarding tying product not sufficient to establish economic power).
\textsuperscript{82} See, e.g., supra note 15.
\textsuperscript{84} See, e.g., Fortner Enters., Inc. v. U.S. Steel Corp. (Fortner I), 394 U.S. 495, 517 (1969).
1. Precurors to the Supreme Court’s Deconstruction of the Market Power Presumption in Cases Involving Patented Products

   a. Academic Critique of the Market Power Presumption

   Beginning in the 1960s, shortly after the decisions in <em>Northern Pacific</em> and <em>Loew’s</em>, various commentators began to question the Court’s holding that market power could be inferred from the tying product’s mere “uniqueness” or “desirability to consumers.”<sup>86</sup> The commentators voiced two distinct claims that, when combined, significantly undermined the Court’s reasoning in <em>Loew’s</em>. First, they noted that a product’s uniqueness or desirability, by itself, confers little or no market power.<sup>87</sup> Although virtually all products are “desirable” in some manner (if not, they are quickly discontinued), very few monopolize an entire market.<sup>88</sup> In addition, while a product’s uniqueness is a <em>prerequisite</em> to obtaining a monopoly, it does not, by itself, <em>confer</em> a monopoly.<sup>89</sup> Many products—such as cars and computers—are “unique” in that they are distinctive or particularly attractive to consumers, but they nonetheless must compete for market share in a competitive industry.<sup>90</sup> Second, the commentators asserted that tying arrangements can produce anticompetitive effects only when there is <em>substantial</em> market power in the tying product.<sup>91</sup> If close substitutes exist, a consumer will simply choose to buy a competitor’s product rather than pay monopoly prices for the tying and tied products.<sup>92</sup> Therefore, many of the tying arrangements condemned by the courts under the <em>Loew’s</em> test did not in fact produce any anticompetitive effects.<sup>93</sup>

   In the late 1970s, then-Professor Richard Posner similarly argued that, contrary to the assumptions of the Supreme Court, companies may develop tying arrangements for legitimate purposes and not to suppress competition.<sup>94</sup> An example of such a purpose is to charge users a variable price based on their use of the patented product.<sup>95</sup> That is what IBM did,

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<sup>86</sup> See infra notes 87–96 and accompanying text.


<sup>88</sup> See Montgomery, supra note 42, at 1150.

<sup>89</sup> See id. at 1150–51.

<sup>90</sup> See Pearson, supra note 87, at 644.

<sup>91</sup> See Ward S. Bowman Jr., <em>Tying Arrangements and the Leverage Problem</em>, 67 YALE L.J. 19, 20 (1957); see also Montgomery, supra note 42, at 1151–52.

<sup>92</sup> See Bowman, supra note 91, at 20, 25. Recall that the objection to tying arrangements stems from their potential ability, in some circumstances, to grant the manufacturer of a tying product monopoly power in the tied product as well.

<sup>93</sup> See Montgomery, supra note 42, at 1146.

<sup>94</sup> RICHARD A. POSNER, ANTITRUST LAW 199–207 (2d ed. 2001).

<sup>95</sup> Id. at 200.
as reported in an early Supreme Court antitrust case, when it required customers leasing its patented punch card machine to use its unpatented punch cards.\textsuperscript{96} By increasing the price of the cards while reducing the price of the machine, IBM could charge users based upon their use of the machine rather than inefficiently charging the same price to both heavy users and those consumers who almost never used the machine. Noting that companies frequently practice price discrimination by simply charging fees based on direct use of the patented product,\textsuperscript{97} Posner concluded that “[i]t is arbitrary to prohibit doing the same thing indirectly, by means of tie-ins.”\textsuperscript{98} Then-Professor Robert Bork echoed this viewpoint in an influential book written shortly after Posner’s, in which he discussed several other lawful reasons why companies enter into tying arrangements,\textsuperscript{99} including to protect goodwill\textsuperscript{100} and achieve economies of scale.\textsuperscript{101} Bork argued that these legitimate uses of tying arrangements benefit both firms and consumers.\textsuperscript{102} He concluded that “there is no validity to the law’s explanation of tying arrangements [because they] simply do not threaten competition, as the courts have supposed for so long.”\textsuperscript{103}

After the Court began requiring plaintiffs to prove market power in most tying arrangements, commentators began to focus their criticism on the one area where the Court’s presumption of market power remained: tying arrangements involving patents and copyrights.\textsuperscript{104} Again, commentators asserted that, contrary to the assumption of the Supreme Court, most patents and copyrights did not confer market power.\textsuperscript{105} To obtain a patent, a product must be only “new, useful, and unobvious over the prior art.”\textsuperscript{106} Mere novelty or usefulness does not mean, however, that a

\textsuperscript{97} See Posner, supra note 94, at 204 (for example, Xerox installs a counter on its copy machines, which charges lessees based on the number of copies made).
\textsuperscript{98} Posner, supra note 94, at 203.
\textsuperscript{99} Bork, supra note 43, at 378–79.
\textsuperscript{100} Tying arrangements protect goodwill by preventing the use of inferior materials with a patented product, thereby reducing the risk that the patented product will malfunction.
\textsuperscript{101} Tying arrangements also help achieve economies of scale by lowering selling and manufacturing costs.
\textsuperscript{102} Bork, supra note 43, at 380–81.
\textsuperscript{103} Id.
\textsuperscript{105} See, e.g., Montgomery, supra note 42, at 1150–52.

(Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title . . . . A patent may not be obtained . . . if the differences between the subject matter sought to be patented and the
patented product will command market power; indeed, many patents lack any commercial value.\textsuperscript{107} In most cases, a patent is simply a prerequisite for the right to compete in a particular market that is saturated with other products containing unique, albeit similar, patents.\textsuperscript{108} For example, no rational automobile manufacturer would create a new car without patenting particular aspects of its design. Yet that new car is not the only car on the market; the manufacturer surely faces competition from a number of other companies that produce similar vehicles. Rather than providing the patentee with a monopoly, then, most patents confer only the ability to participate in a competitive market with the assurance that others will not be able to sell the exact same product with precisely the same specifications.\textsuperscript{109} As one commentator concluded, “[t]he economic arguments in support of the presumption appear to be tenuous . . . . The presumption is dangerously close to an antitrust policy divorced from market considerations . . . .”\textsuperscript{110}

\textit{b. Lower Courts Similarly Begin to Dismantle the Market Power Presumption}

By the late 1970s and early 1980s, numerous commentators had criticized the Supreme Court’s market power presumption as having little or no basis in economic reality.\textsuperscript{111} In response, a number of lower courts took action in the 1980s and 1990s to erode or dismantle the presumption. In 1982, for example, the Seventh Circuit took issue with the market power presumption, noting in dicta that “not every patent confers market power” and that “if any presumption is warranted it is that the tie-in promotes efficiency rather than reduces competition.”\textsuperscript{112} The Second Circuit similarly concluded that “[w]hen the patented product, as is often the case, represents merely one of many products that effectively

\textsuperscript{107} See PHILLIP E. AREEDA ET AL., \textit{Antitrust Law} \textsuperscript{\textregistered} 1737c (2d ed. 2000).
\textsuperscript{108} See Pearson, supra note 87, at 644.
\textsuperscript{109} Pearson, supra note 87, at 644.
\textsuperscript{110} Montgomery, supra note 42, at 1151–52 (internal quotations and citations omitted).
\textsuperscript{111} See POSNER, supra note 94, at 203; BORK, supra note 43, at 380–81; Tyler A. Baker, \textit{The Supreme Court and the Per Se Tying Rule}: \textit{Cutting the Gordian Knot}, 66 VA. L. REV. 1235, 1297–99 (1980); see also 2 PHILLIP AREEDA & DONALD F. TURNER, \textit{Antitrust Law} \textsuperscript{\textregistered} 409c (1st ed. 1978) (“[P]atents . . . are not insurmountable entry barriers. Unlike direct entry controls, which block entry even though the would-be entrant can match or beat the costs of [the] existing firm, patents offer no protection against the entrant who develops an offsetting or comparable but non-infringing innovation.”).
\textsuperscript{112} USM Corp. v. SPS Techs., Inc., 694 F.2d 505, 511 (7th Cir. 1982).
compete in a given product market, few antitrust problems arise."¹¹³ A number of district courts echoed this view.¹¹⁴

The Sixth Circuit’s opinion in A.I. Root Co. v. Computer/Dynamics, Inc.¹¹⁵ is especially significant in this regard because it openly departed from Supreme Court precedent. The court refused to apply the market power presumption, stating in a conclusory manner that it found the language in Loew’s to be “overbroad and inapposite to the instant case.”¹¹⁶ The court did not cite any Supreme Court majority opinions supporting this interpretation of Loew’s.¹¹⁷ Instead, the court cited Justice O’Connor’s concurring opinion in Jefferson Parish, which asserted that patents and copyrights do not necessarily confer market power,¹¹⁸ as well as the now-familiar economic literature stating that “more often than not . . . a patent or copyright provides little, if any, market power.”¹¹⁹ Thus, the primary support for the Sixth Circuit’s rejection of the market power presumption was (a) a concurring opinion espousing a view that had been rejected by the majority of the Court in Jefferson Parish; and (b) the writings of critics who disagreed with the Supreme Court cases upholding the presumption. In both respects, the Sixth Circuit was guided by its view of economic reality rather than binding Supreme Court precedent. Nonetheless, the Sixth Circuit’s view of economic reality and its rejection of the market power presumption would eventually find favor in the Supreme Court.¹²⁰

c. Executive Agencies and Congress Likewise Abandon the Market Power Presumption

In the late 1970s and 1980s, executive agencies and Congress also took steps to eliminate the market power presumption. As early as 1979, a high-level official in the Antitrust Division of the Justice Department

¹¹³ SCM Corp. v. Xerox Corp., 645 F.2d 1195, 1203 (2d Cir. 1981).
¹¹⁴ See 3 P.M., Inc. v. Basic Four Corp., 591 F. Supp. 1350, 1359 (E.D. Mich. 1984) (finding that the copyright on a product does not, by itself, establish market power without an independent showing of “uniqueness,” as purportedly required by Former II); In re Data Gen. Corp. Antitrust Litig., 490 F. Supp. 1089, 1112 (N.D. Cal. 1980) (“[T]he sole fact of the existence of a copyright notice has not been held to be sufficient to prove economic power.”).
¹¹⁵ 806 F.2d 673 (6th Cir. 1986).
¹¹⁶ Id. at 676.
¹¹⁷ See id. at 676–77.
¹¹⁹ Id. (citing Montgomery, supra note 42, at 1156).
noted that patents do not necessarily confer market power.\textsuperscript{121} More importantly, in 1995, the Justice Department and the Federal Trade Commission jointly promulgated guidelines stating that they would “not presume that a patent, copyright, or trade secret necessarily confers market power upon its owner.”\textsuperscript{122} In support of their rejection of the market power presumption, the agencies restated the view, well-established in legal and economic literature, that although patents and copyrights confer a limited monopoly in a \textit{specific product}, they frequently do not confer monopoly power in an \textit{entire market}.\textsuperscript{123}

Another significant blow to the market power presumption came in 1988, when Congress eliminated the presumption in the context of patent misuse.\textsuperscript{124} The new statute stated that no patent owner would be found guilty of patent misuse by engaging in a tying arrangement involving the patented product “unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product.”\textsuperscript{125} As previously discussed in section II.A, when the Court extended the market power presumption to antitrust cases involving patents in \textit{International Salt}, it used the prior existence of the presumption in patent misuse cases to justify the presumption’s extension to antitrust law.\textsuperscript{126} Thus, by eliminating the presumption in the patent misuse context, the 1988 amendment fatally undermined the original foundation of the Court’s justification for the existence of the presumption in antitrust law.\textsuperscript{127}

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123. \textit{Id.} (“Although the intellectual property right confers the power to exclude with respect to the \textit{specific} product, process, or work in question, there will often be sufficient actual or potential close substitutes for such product, process, or work to prevent the exercise of market power.”).


125. \textit{Id.}

126. See \textit{Int’l Salt Co. v. United States}, 332 U.S. 392, 395–96 (1947) (“But the patents confer no right to restrain use of, or trade in, unpatented salt. By contracting to close this market for salt against competition, International has engaged in a restraint of trade for which its patents afford no immunity from the anti-trust laws.”) (citing Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488 (1942); Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 661 (1944)); see also \textit{supra} notes 32–37 and accompanying text.

127. The Court had also justified the existence of the presumption by assuming that patents generally confer market power. See, \textit{e.g.}, Jefferson Parish Hosp. Dist. No. 2 \textit{v.} Hyde, 466 U.S. 2, 16 (1984)

(\textquotedblleft If the Government has granted the seller a patent or monopoly over a product, it is fair to presume that the inability to buy the product elsewhere gives the seller market power. Any effort to enlarge the scope of the patent monopoly by using the market power it confers to restrain competition in the market for a second product will undermine competition on the merits in that second market. Thus, the sale or lease of a patented item on
Indeed, one member of Congress went so far as to invite the Court to eliminate the market power presumption in the antitrust context. Senator Patrick Leahy remarked during debate of the bill that “the Senate is clearly sending a message to the courts that they would be mistaken to continue to apply any presumption of market power involving intellectual property rights as automatically granting meaningful economic power over a particular market in antitrust cases.” In addition, commentators noted that the continued existence of the presumption in antitrust law would create a troublesome anomaly if a court were to hear a tying arrangement case that involved both patent misuse and antitrust claims. In such a case, the court would be required to presume market power in the patented product when evaluating the antitrust claim, but the same court would be required to demand proof of market power when assessing the patent misuse claim.

2. The Supreme Court Reconsiders and Finally Dismantles the Presumption in Antitrust Cases Involving Patented Products

The Supreme Court slowly followed suit, first in antitrust cases not involving patented or copyrighted products and then, most recently, in Independent Ink, which involved a patented product. With regard to antitrust cases in general, in United States Steel Corp. v. Fortner Enterprises, Inc. (Fortner II), the Court reinstated the requirement that plaintiffs prove market power to establish an antitrust violation. In that case, Fortner’s purchase of prefabricated houses from United States Steel was tied to United States Steel’s promise to provide Fortner with favorable financing. The Court concluded that although United States Steel’s credit terms were “unique” and Fortner could not have acquired such financing from any other source, United States Steel did not possess

condition that the buyer make all his purchases of a separate tied product from the patentee is unlawful. (citation omitted)).

See also U.S. Steel Corp. v. Fortner Enters., Inc. (Fortner II), 429 U.S. 610, 619 n.12 (1977) (“Since one of the objectives of the patent laws is to reward uniqueness, [all patents establish] a distinctiveness sufficient to conclude that any tying arrangement involving the patented product would have anticompetitive consequences.”). As has been shown, however, this assumption had long since been proven false by the time Congress passed § 271(d) in 1988. See supra notes 87–93 and accompanying text.

129. Id.
134. 429 U.S. at 620.
135. Id. at 613–14.
monopoly power in the credit market. Rejecting the language in *Loew's* stating that market power could be inferred from the tying product's uniqueness or desirability to consumers, the Court set a much higher threshold for proving market power: "[W]hether the seller has the power, within the market for the tying product, to raise prices or to require purchasers to accept burdensome terms that could not be exacted in a completely competitive market."  

Despite developing a reasonable threshold for proving market power, the Court explicitly made an exception for tying arrangements involving patents. For these arrangements, the Court reiterated that the statutory grant of a patent monopoly in *International Salt* and copyright monopolies in *Paramount Pictures* "represented tying products that the Court regarded as sufficiently unique to give rise to a presumption of economic power." The Court nevertheless acknowledged that—at least in cases that do not involve patented or copyrighted products—tying arrangements can sometimes serve as a form of legitimate price discrimination regarding the tied product. Therefore, notwithstanding its refusal to abandon the market power presumption for patents and copyrights, the *Fortner II* court squarely held that not all tying arrangements are per se unlawful under the antitrust laws.

Seven years later, in *Jefferson Parish Hospital District No. 2 v. Hyde*, the Court expanded the group of tying arrangements that would pass muster under the antitrust laws. Writing for a five Justice majority, Justice Stevens upheld the tying arrangement presumption, stating that "[i]t is far too late in the history of our antitrust jurisprudence to question the proposition that certain tying arrangements pose an unacceptable risk of stifling competition and therefore are unreasonable 'per se.'" Significantly, however, the Court stated that "[t]ying arrangements need only be condemned if they restrain competition on the merits by forcing purchases that would not otherwise be made." In other words, tying arrangements involving tied products that a customer would have to purchase from some company in order to operate the tying product were now permitted. Using this logic, the Court held that the defendant hospital's use of "tied" anesthesiological services was permissible because
patients undergoing surgery at the hospital would have to use some anesthesiologist. As a result, the hospital’s requirement that the patient use a particular anesthesiologist (or choose from one of several selected anesthesiologists) was a legal tying arrangement.

The implications of the Court’s analysis in Jefferson Parish are significant. Under this logic, for example, the tying arrangement that the Court condemned in International Business Machines Corp. v. United States would be permissible. Since all users of IBM’s punch card machine would need to purchase punch cards from some entity, the fact that IBM required customers to purchase the cards from it would not result in an illegal tie.

It is unclear whether the Court actually intended to go this far in its acceptance of tying arrangements. Commentators have noted that the majority opinion is inconsistent with the body of antitrust tying precedent and leaves in doubt the circumstances appropriate for applying the per se tying standard. Regardless of the actual effect of the majority’s language, the Court in Jefferson Parish took a position that foreshadowed its willingness to further consider the legality of tying arrangements, clearly indicating its increasing acceptance of the legitimacy of tying arrangements in certain contexts.

Despite this increasing acceptance, the majority of Justices in Jefferson Parish continued to uphold the market power presumption in the context of patented and copyrighted products, stating (incorrectly, as we have seen) that

[If the Government has granted the seller a patent or monopoly over a product, it is fair to presume that the inability to buy the product elsewhere gives the seller market power. Any effort to enlarge the scope of the patent monopoly by using the market power it confers to restrain competition in the market for a second product will undermine competition on the merits in that second market. Thus, the sale or lease of a patented item on condition that the buyer make all his purchases of a separate tied product from the patentee is unlawful.]

This argument ignores two of the principal objections to the market power presumption that had been discussed extensively by commentators.

145. Id. at 28.
146. Id. at 28–29.
147. 298 U.S. 131 (1936).
149. Burchfiel, supra note 104, at 52; Hanna, supra note 130, at 412–13 n.76.
151. Id. at 16.
in the years before Jefferson Parish: (1) that similar patented products often exist in the same market, so that the consumer’s inability to buy the exact same product from a competitor does not mean that the patentee has a monopoly in the entire market; and (2) that as a matter of economic theory, companies with a patented tying product typically cannot use tying arrangements as a means to restrain competition in an unpatented product. Nonetheless, five of the Justices apparently remained unconcerned with such objections, and preferred to adhere to the Court’s longstanding precedent on the issue.

The four concurring Justices, in contrast, advocated abandonment of the entire tying arrangement presumption (and hence, also the market power presumption) in favor of a rule of reason analysis. Instead of assuming that tying arrangements involving patented or copyrighted products were per se anticompetitive, the concurring Justices argued that a tying arrangement’s legality under the antitrust laws should depend on the economic effects of each particular arrangement. Under the test proposed by the concurring Justices, the market power presumption would no longer exist. Instead, when evaluating the economic effects of a given tying arrangement, a court would consider whether the patent or copyright holder enjoyed market power in the tying product. Furthermore, market power would be only one of the factors evaluated by courts in determining whether a tying arrangement violated antitrust law.

The four concurring Justices also likely would have eliminated the market power presumption even if the tying arrangement presumption remained in place. In a footnote, they directly contradicted the majority’s statement that it is “safe to assume” that a patent confers market power. Citing to a then-recent article criticizing the Court’s antitrust tying jurisprudence, the concurring Justices stated, “[a] common misconception has been that a patent or copyright . . . suffices to demonstrate market power . . . . [A] patent holder has no market power in any

153. See POSNER, supra note 94, at 198–199; Bowman, supra note 91, at 33–34.
155. Id. at 35 (O’Connor, J., concurring).
156. Id.
157. See id. at 41.
158. Id. at 37–38.
159. Id. at 41.
160. Id. at 38 n.7.
161. Id.
relevant sense if there are close substitutes for the patented product." Four Justices, then, had received the message from the economists’ extensive critiques and argued that the market power presumption rested on assumptions that well-known scholars had found to be untrue. Although the Court likely came within one vote of completely dismantling the presumption in 1984, the majority in Jefferson Parish left it intact.163

Two decades after Jefferson Parish, the Court finally took the next step toward dismantling the market power presumption. In Illinois Tool Works v. Independent Ink, citing the “virtual consensus among economists” that a patent does not necessarily confer market power, the Court finally eliminated the market power presumption in all cases involving tying arrangements and a patented tying product.164 The Court based its decision on several of the factors discussed in detail above, including Congress’s 1988 amendment to the patent laws.165 Noting that the market power presumption arose as part of the patent misuse doctrine, the Court found that Congress’s elimination of the presumption in that context “certainly invites a reappraisal” of the International Salt rule, which extended the presumption to antitrust cases involving patents.166 “[G]iven the fact that the patent misuse doctrine provided the basis for the market power presumption,” the Court wrote, “it would be anomalous to preserve the presumption in antitrust after Congress has eliminated its foundation.”167 The Court also compared the severity of the patent misuse doctrine with that of the antitrust laws, noting that while the former simply prevents the patent holder from successfully suing an infringer, the latter is a federal crime, the violation of which is punishable by up to ten years in prison.168 The Court concluded “it would be absurd to assume” that Congress desired that the use of a patented product in a tying arrangement would be a major federal crime but that the same use of the same product would not constitute the far lesser offense of misuse.169

The Court also relied upon executive action and economic literature. It cited the joint decision by the Justice Department and the FTC in which those agencies declined to presume that patents or copyrights confer market power.170 Noting that the government took the opposite

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163. Id. at 9 (majority opinion).
165. Id. at 1290–91.
166. Id.
167. Id. at 1291.
168. Id.
169. See id.
170. Id. at 1292–93 (quoting Antitrust Guidelines, supra note 15, § 2.2).
position in its Supreme Court brief nearly sixty years earlier in *International Salt*, the Court recognized that the government agencies’ new position provided an additional reason to dismantle the market power presumption—a presumption that the Court originally created at the government’s urging.\textsuperscript{171} For the first time, the Court also recognized the economic reality that patents generally do not confer market power in a patented product.\textsuperscript{172} Rather than finding it “far too late in the history of our antitrust jurisprudence” to question the market power presumption,\textsuperscript{173} the Court instead noted that “the vast majority of academic literature”\textsuperscript{174} criticized the presumption as inconsistent with economic theory.\textsuperscript{175}

Beyond the Court’s elimination of the market power presumption in patent cases, *Independent Ink* represents a significant step in the Court’s increasing acceptance of tying arrangements. After exhibiting blanket hostility toward tying arrangements until *Fortner II* and demonstrating only lukewarm tolerance of certain types of tying arrangements in *Jefferson Parish*, the Court struck a much different tone in *Independent Ink*, citing the extensive academic literature while concluding that “many tying arrangements, even those involving patents and requirements ties, are fully consistent with a free, competitive market.”\textsuperscript{176} The *Independent Ink* opinion represents both a long-overdue acknowledgement that most patents do not confer market power and a recognition of the actions taken by other courts, academics, and the antitrust enforcement agencies in questioning the market power presumption. Although the decision definitively eliminates the presumption for patented products, it does not explicitly do so for copyright tying arrangements. That issue is addressed by force of logic in the text below.

### III. Why *INDEPENDENT INK* ELIMINATES THE MARKET POWER PRESUMPTION FOR COPYRIGHTED PRODUCTS

After *Independent Ink*, courts cannot presume that a patent in the tying product, by itself, confers market power, and plaintiffs must prove that defendants enjoyed market power in the tying product to prevail on

\textsuperscript{171} See id.
\textsuperscript{172} See id. at 1291.
\textsuperscript{174} *Indep. Ink*, 126 S. Ct. at 1291 n.4.
\textsuperscript{175} See id. at 1292 (citing AREEDA ET AL., supra note 107, ¶ 1769c; 9 AREEDA ET AL., ANTITRUST LAW ¶ 1711 (2d ed. 2000); William J. Baumol & Daniel G. Swanson, The New Economy and Ubiquitous Competitive Price Discrimination: Identifying Defensible Criteria of Market Power, 70 ANTITRUST L.J. 661, 666 (2003); WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 374–75 (2003)).
\textsuperscript{176} 126 S. Ct. at 1292.
either an antitrust or patent misuse claim. Although the Court's holding is limited to tying arrangements involving patented products, the holding has important implications regarding tying arrangements involving copyrighted products. We argue below that although Independent Ink does not explicitly eliminate the market power presumption for copyright tying arrangements, the presumption has been fundamentally undermined to the extent that it can no longer be applied.

The argument is based on three key factors. First, the reasoning articulated by the Independent Ink Court also applies to tying arrangements involving copyrights. Therefore, to remain consistent with Independent Ink, the Court would need to reach the same conclusion were it to hear a tying arrangement case involving a copyrighted product. Second, the scope of the limited monopoly granted by copyright law is significantly narrower than the monopoly granted by patent law. Therefore, it would be illogical for the Court to abolish the market power presumption in patent tying arrangements while preserving it for copyrights. Third, the Court has increasingly accepted tying arrangements and has recognized that many tying arrangements do not confer market power. Therefore, after Independent Ink, the Court would be unlikely to adopt a position condemning a tying arrangement without proof of market power. Based on these considerations, we conclude that Independent Ink effectively eliminates the market power presumption in cases involving copyrighted as well as patented products.

A. The Reasoning of Independent Ink Applies Equally to Copyright Tying Arrangements

Although Independent Ink did not directly repeal the presumption of market power in copyright tying arrangements, the opinion did provide a number of reasons for eliminating the presumption in patent tying arrangements. This section examines these reasons and concludes that in each case, the Court would necessarily come to the same conclusion were it to address the presumption in cases involving a copyright tying arrangement. As a result, courts addressing future copyright tying arrangements must strike down the presumption if their opinions are to be consistent with the Supreme Court's reasoning in Independent Ink.

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177. Id. at 1293.
178. See id. at 1291 n.3, 1293.
179. This section assumes that in any future consideration of the presumption, the Court would desire to remain consistent with its opinion in Independent Ink.
1. Congress’s Elimination of the Market Power
Presumption in the Patent Misuse Doctrine

The market power presumption’s existence in the patent misuse doctrine was the foundation supporting the presumption in both patent and copyright tying arrangement jurisprudence. As discussed in Part II, the Court in Paramount Pictures used the existence of the presumption in the patent misuse doctrine as the basis for extending the presumption to copyright tying arrangements.\(^{180}\) Similarly, one year earlier, the Court in International Salt had used the existence of the presumption in the patent misuse doctrine to justify the extension of the presumption to patent tying arrangements.\(^{181}\)

In 1988, Congress eliminated the market power presumption from the patent misuse doctrine.\(^{182}\) As discussed above, the Court in Independent Ink struck down the market power presumption in patent tying arrangements primarily because of this Congressional act. The Court reasoned that by abolishing the presumption in the patent misuse doctrine, Congress had also eliminated the presumption’s foundation in patent tying arrangement jurisprudence.\(^{183}\)

The Court’s reasoning is equally applicable to copyright tying arrangements. Regarding patent tying arrangements, the Court in Independent Ink noted both that “it would be anomalous to preserve the presumption in antitrust after Congress . . . eliminated [the presumption’s] foundation,”\(^{184}\) and also that the Court “has reconsidered its decisions construing the Sherman Act when the theoretical underpinnings of those decisions are called into serious question.”\(^{185}\) The market power presumption in both patent and copyright tying arrangement jurisprudence shared the same foundation and the same theoretical underpinnings. Therefore, the reasoning the Court used to abolish the presumption for patent tying arrangements indicates that the court would abolish the presumption also for copyright tying arrangements.

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\(^{180}\) 334 U.S. 131, 157–58 (1948).

\(^{181}\) 332 U.S. 392, 396 (1947); see also United States v. Columbia Steel Co., 334 U.S. 495, 522–23 n.22 (1948) (citing Int’l Salt for the proposition that tying the license of a patented device to the use of unpatented materials is an example of a restraint that is “illegal per se”).


\(^{183}\) See Indep. Ink, 126 S. Ct. at 1293.

\(^{184}\) Id. at 1291.

\(^{185}\) Id. at 1291 n.3 (quoting State Oil Co. v. Khan, 522 U.S. 3, 21 (1997)).
2. The Justice Department and FTC’s Elimination of the Presumption for Both Patents and Copyrights in their 1995 Guidelines

As an additional factor in favor of eliminating the presumption of market power in patent tying arrangements, the Court discussed the guidelines issued over ten years ago by the Justice Department and the FTC (the “enforcement agencies”), stating that the enforcement agencies will not presume market power in tying arrangements involving patents or copyrights.  

Given the broad impact of the enforcement agencies’ policies, it is not surprising that the Court would view the policies as persuasive when deciding whether to adopt a particular rule of law, particularly when the enforcement agencies promulgate rules that are less strict than the judiciary’s interpretation of the law. While the Court cites the changed regulatory guidelines as a factor in deciding to eliminate the market power presumption for patent tying arrangements, the guidelines provide an equally persuasive reason for abolishing the presumption in the copyright context because the guidelines apply to both patent and copyright tying arrangements. For that reason, to remain consistent with the reasoning in *Independent Ink*, courts should consider the Supreme Court’s analysis of the enforcement agencies’ guidelines as persuasive evidence for abolishing the presumption in copyright tying arrangement cases.

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186. *Id.* at 1292–1293 (citing Antitrust Guidelines, supra note 15, § 2.2).
187. While antitrust suits are sometimes initiated by individual plaintiffs (typically companies upset at another company’s practices), the federal government’s antitrust enforcement agencies engage in hundreds of investigations every year. In Fiscal Year 2003, for example, the Justice Department alone brought 41 criminal antitrust cases and exacted $107 million in fines. U.S. Dep’t of Justice, *Timeline of Antitrust Enforcement – Highlights at the Department of Justice*, http://www.usdoj.gov/atr/timeline.pdf. Furthermore, many antitrust proceedings initiated by the FTC take place on the regulatory level (i.e., in administrative law courts) where the policies of the enforcement agencies are controlling.
188. *Indep. Ink*, 126 S. Ct. at 1292–93 (explaining that while the 1995 Department of Justice and FTC decision not to presume that the existence of a patent or copyright necessarily confers market power is “not binding on the Court,” it does provide a compelling basis for the Judiciary to do the same in antitrust cases).
189. *Id.*
190. Antitrust Guidelines, supra note 15, § 2.2 (providing, in relevant part, Market power is the ability profitably to maintain prices above, or output below, competitive levels for a significant period of time. The Agencies will not presume that a patent, copyright, or trade secret necessarily confers market power upon its owner. Although the intellectual property right confers the power to exclude with respect to the specific product, process, or work in question, there will often be sufficient actual or potential close substitutes for such product, process, or work to prevent the exercise of market power.) (footnotes omitted).
3. Academic Criticism of the Market Power Presumption

As a final justification for eliminating the presumption in patent tying arrangements, the Court cites scholarly articles, books, and treatises that both criticize the presumption and also state that a patent does not necessarily confer market power.\(^{191}\) Although the Court discusses the academic literature’s criticism of the presumption only in the context of patent tying arrangements (presumably because that was the only question before it), the sources cited by the Court criticize the presumption in the context of both patents and copyrights.\(^{192}\) These sources also state that copyrights, standing alone, do not generally confer market power.\(^{193}\) For example, the Antitrust Law treatise cited by the Court states that there is no economic basis for inferring market power based on a patent alone and that “the basis for inferring [market] power from a copyright or trademark is much weaker [than it is for patents].”\(^{194}\) The law review article cited by the Court also discusses the academic criticism of the market power presumption in both patent and copyright antitrust tying violations.\(^{195}\) In addition to the critiques specifically cited by the Court, the voluminous academic literature discussing the presumption generally criticizes the presumption’s existence in both patent and copyright tying arrangements.\(^{196}\)

In abolishing the market power presumption for patent tying arrangements, the Court in \textit{Independent Ink} noted that its holding is in accord “with the vast majority of academic literature on the subject.”\(^{197}\) By embracing the academic literature criticizing the presumption,\(^{198}\) the Court implicitly expressed its disapproval of the presumption in all situations involving intellectual property. This implicit disapproval is an additional reason why lower courts examining the presumption in copyright tying arrangement cases can come to only one conclusion that is consistent with the reasoning articulated by the Supreme Court in \textit{Independent Ink}: the presumption must no longer be considered valid in either patent or copyright tying arrangements.

\(^{191}\) \textit{Indep. Ink}, 126 S. Ct. at 1291 n.4, 1292.

\(^{192}\) \textit{See id.} (citing AREEDA ET AL., supra note 107, ¶ 1737a; Burchfiel, \textit{supra} note 104, at 57 and n.340; HERBERT HOVENKAMP, ET AL., \textit{IP AND ANTITRUST} § 4.2a (2005 Supp.); LANDES \& POSNER, \textit{supra} note 175, at 374).

\(^{193}\) \textit{Id.}

\(^{194}\) AREEDA ET AL., \textit{supra} note 107, ¶ 1737d.

\(^{195}\) Burchfiel, \textit{supra} note 104, at 57. The article’s footnote, specifically cited by the Court, lists other books and articles, many of which assail the presumption in both the patent and copyright contexts. \textit{Id.} at 57 n.340.

\(^{196}\) \textit{See, e.g.}, Montgomery, \textit{supra} note 42, at 1151–52; Hanna, \textit{supra} note 130, at 414.

\(^{197}\) \textit{Indep. Ink}, 126 S. Ct. at 1291 n.4; \textit{see also id.} at 1292, 1293 (referencing three additional times when academics and/or economists have disagreed with the market power presumption).

\(^{198}\) \textit{Id.} at 1291 n.4, 1292.
B. Copyrights Are Less Likely to Confer Market Power than Patents

Although the Court in Independent Ink did not address copyright tying arrangements, its logic applies equally to that context because—as explained in the discussion below—copyrights, on balance, are substantially less likely than patents to confer market power in the protected product. Accordingly, given the Supreme Court’s findings about the lack of market power conveyed by patents, courts applying Independent Ink should be even more willing to strike down the market power presumption in copyright tying arrangements because that presumption is inconsistent with economic reality.

Patents are more likely than copyrights to confer market power primarily because patent law provides a patent holder with a limited monopoly that is significantly larger in scope than the monopoly provided by copyright law. This difference in the scope of legal protection stems from the type of material that patent law is intended to protect, as well as from the broader goals of patent law. Patents are intended to protect an idea as embodied in a particular invention, product, or process. The goal of patent law is to provide the inventor with an incentive to develop products that are useful to society and to disclose to the public precisely how to create those products. To preserve the incentives for invention and disclosure, patent law must provide a strong exclusionary power. Specifically, patents prevent any entity besides the patent holder from creating or developing an identical product or a product having the same features as the patented product but with additional elements.

199. It is important to distinguish between the limited monopoly conferred by patent and copyright laws and the more expansive definition of “monopoly” traditionally used in antitrust law. The former is merely an ability to retain, for a limited period, the exclusive right to produce, copy, or distribute a certain specific product or work. See Antitrust Guidelines, supra note 15, § 2.2. The latter implies that a single product or company enjoys market power, meaning that there is a lack of competition in the entire market for a given product. See United States v. Grinnell Corp., 384 U.S. 563, 571 (1966).

200. See Hanna, supra note 130, at 414.

201. Hildreth, supra note 106, § 1:7; see also Indep. Pneumatic Tool Co. v. Chicago Pneumatic Tool Co., 96 F. Supp. 70, 75 (N.D. Ill. 1951) (explaining that “[i]t is not an idea that is patentable, nor the results of a mechanism but a novel device or combination understandably disclosed in the specifications.”).

202. See Hildreth, supra note 106, §§ 1:2—4; see also U.S. Const. art. I § 8, cl. 8 (purpose of the patent laws is “[t]o promote the Progress of Science and useful Arts, by securing . . . to Authors and Inventors the exclusive Right to their . . . Discoveries.”); Aronson v. Quick Point Pencil Co., 440 U.S. 257, 262 (1979) (The purposes of the federal patent system are (1) “to foster and reward invention”; (2) to “[p]romote disclosure of inventions to stimulate further innovation and to permit the public to practice the invention once the patent expires”; and (3) “to assure that ideas in the public domain remain there for the free use of the public.”).

compounds, or steps.\textsuperscript{204} In addition, under the doctrine of equivalents, patents bar the creation of inventions that are slightly different from the patented product but perform "substantially the same function in substantially the same way to obtain [substantially] the same result."\textsuperscript{205} Therefore, an inventor who creates a product independently will nonetheless be barred from selling the product if it is identical or substantially equivalent to a previously patented invention.\textsuperscript{206} While patents generally do not confer market power, their strong exclusionary power can, in some cases, provide the patent holder with a monopoly in a given market, particularly in nascent or rapidly developing industries.\textsuperscript{207}

Copyright law, by contrast, protects only the expression of an idea and not the idea itself.\textsuperscript{208} Put another way, copyrights only protect a work from being copied, reproduced, distributed, or performed without consent of the rights-holder.\textsuperscript{209} Unlike holders of patents, copyright holders cannot prevent the creation of near-identical substitutes.\textsuperscript{210} Indeed, if two persons independently produce the exact same work, both can theoretically obtain a copyright in the work.\textsuperscript{211} Since copyrights confer significantly less exclusionary power than patents, copyrights are much less likely to provide the rights-holder with market power.\textsuperscript{212} Whereas patents force potential competitors to develop alternative technology in order to enter the market, copyrights do not prevent others from offering substitute works that have largely the same purpose or function as the copyrighted product.\textsuperscript{213} Because copyrights do not protect ideas, competitors will often use the same ideas to create similar works that compete in the same market.\textsuperscript{214} As one author wrote, "[w]hile a patent may prevent any substitute light bulb, a copyright cannot prevent substitute books, films, compositions, or computer programs . . . . Thus, if patents do not themselves imply [market] power, [neither] do copyrights."\textsuperscript{215}

An additional reason why patents are more likely to confer market power than copyrights lies in the restrictions placed on patent eligibility.

\footnotesize{\textsuperscript{204} Id. §§ 10:2.1–2.2.  \\
\textsuperscript{205} Id. § 11:2 (quoting Graver Tank & Mfg. Co. v. Linde Air Prods. Co., 339 U.S. 605 (1950)).  \\
\textsuperscript{206} Id.  \\
\textsuperscript{207} See AREEDA ET AL., supra note 107, ¶ 1737c.  \\
\textsuperscript{208} Mazer v. Stein, 347 U.S. 201, 217 (1954).  \\
\textsuperscript{209} Id. at 217–218; see also AREEDA ET AL., supra note 107, ¶ 1737d.  \\
\textsuperscript{210} See MILLS ET AL., supra note 206, § 6.3.  \\
\textsuperscript{211} Id.  \\
\textsuperscript{212} See Montgomery, supra note 42, at 1150 n.63.  \\
\textsuperscript{213} See MILLS ET AL., supra note 206, § 6.3.  \\
\textsuperscript{214} See id. § 6.27.  \\
\textsuperscript{215} AREEDA ET AL., supra note 107, ¶ 1737d.}
Since patents bar the creation of identical or substantially equivalent products, the patent laws require that a patentable product or invention be "new, useful, and unobvious over the prior art" (the previously existing innovations in the field).\footnote{HILDRETH, supra note 106, § 1:7.1; see also 35 U.S.C. §§ 101, 103 (2000).} Copyright protection, by contrast, is available to any "original [work] of authorship fixed in any tangible medium of expression."\footnote{17 U.S.C. § 102 (2000).} The effect of this disparity between the patent and copyright laws is that the average patented product is, by nature of being patentable, more likely to confer market power than the average copyrighted product, which may or may not have any value whatsoever in the marketplace.\footnote{18. Granted, not all patents have commercial value. But a patented product is, at least, "new, useful, and unobvious over the prior art," HILDRETH, supra note 106, § 1:7.1, which increases the likelihood that it will be of value.} Because patents provide significantly more exclusionary power than do copyrights, and because patents are inherently more likely than copyrights to be of value in the marketplace, patents are more likely than copyrights to confer market power.\footnote{19. See AREEDA ET AL., supra note 107, ¶ 1737d.} The Court in Independent Ink agreed with the economic literature stating that patents frequently do not confer market power, condemning the market power presumption in patent tying arrangements. Now that the Court has done so, it would be illogical to assume that the presumption still survives in copyright tying cases, where market power is even less likely.

**C. The Court’s Increasing Acceptance of Tying Arrangements**

Lastly, the Court’s long history of increasing acceptance of tying arrangements, culminating in the Independent Ink opinion itself, suggests that the Court now will uphold reasonable tying arrangements, including those involving patents and copyrights, that do not run a large risk of restraining competition. As discussed in Part II, the Court exhibited an "extremely hostile attitude" towards tying arrangements during the middle decades of the twentieth century.\footnote{20. Montgomery, supra note 42, at 1152.} The Court’s attitude began to change, however, in Fortner II and Jefferson Parish, wherein the Court began to acknowledge that tying arrangements can in some instances operate as a form of price competition in the tied product.\footnote{21. See U.S. Steel Corp. v. Fortner Enters., Inc. (Fortner II), 429 U.S. 610, 618 n.10, 619 (1977) (credit services were not sufficiently "unique" to give rise to a presumption of economic power, and at least in cases not involving patented or copyrighted products, tying arrangements can serve as a form of legitimate price discrimination regarding the tied product), Jefferson Parish Hosp. Dist. No. 2 v. Hyde, 466 U.S. 2, 27 (1984) ("Tying arrangements need only be condemned if they restrain competition on the merits by forcing purchases that would not otherwise be made.").} As the Court...
became more tolerant of tying arrangements, it also became “increasingly unwilling to find the economic power that is a prerequisite to finding tying arrangements per se illegal.”222 Whereas the Court previously seemed very willing to find market power, despite scant evidence, in order to declare a tying arrangement illegal, the Court in Fortner II and Jefferson Parish engaged in a more thorough investigation of market conditions, concluding in both cases that market power did not exist in the tying product.223 In Independent Ink, the Court finally demonstrated that it is unwilling to uphold presumptions of market power that do not comport with economic reality.224 At the same time, the Court appeared to end its hostility toward tying arrangements, recognizing that tying arrangements often are “fully consistent with a free, competitive market.”225

The history of the Court’s tying arrangement jurisprudence is significant both with regard to patents and with regard to copyrights. As the Court increasingly recognizes that some tying arrangements are justified for economically efficient reasons, such as quality control, consumer satisfaction, and the like, the Court becomes less likely to find that any given defendant enjoys market power in a tying product. Therefore, the Court also becomes less likely to strike down any given tying arrangement as being anticompetitive. Given the Court’s newfound acceptance of patent tying arrangements in Independent Ink, it is logical that the Court was unwilling to support a presumption of market power in a situation where market power frequently did not exist.226 To retain a presumption that effectively made all patent tying arrangements per se illegal would have been not only inconsistent with economic reality, but also contrary to the Court’s new philosophy that many tying arrangements, including those involving patents, do not suppress competition. Logically, this acceptance of tying arrangements involving patented products should also apply to those involving copyrighted products.

IV. CONCLUSION

The market power presumption is a relic developed over fifty years ago, when the Court believed that “[t]ying arrangements serve[d] hardly any purpose beyond the suppression of competition.”227 The presumption served the Court well in an era when the Court desired to condemn

225. Id. at 1292.
226. See id. at 1293.
virtually all tying arrangements under the antitrust laws. However, now that the Court has recognized that "[m]any tying arrangements, even those involving patents and requirements ties, are fully consistent with a free, competitive market,"\textsuperscript{228} it would be illogical to retain a presumption that invalidates copyright tying arrangements without any analysis of whether the specific tie in question runs any risk of restraining competition. The Court’s reasoning in \textit{Independent Ink} permits only one conclusion: the market power presumption no longer has a place in the Court’s jurisprudence.

\textsuperscript{228} \textit{Indep. Ink}, 126 S. Ct. at 1292.