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The Federal Circuit's Licensing Law Jurisprudence: Its Nature and Influence

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THE FEDERAL CIRCUIT'S LICENSING LAW JURISPRUDENCE: ITS NATURE AND INFLUENCE

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Abstract: The Federal Circuit serves as the central appellate court for U.S. patent law appeals. Outside of patent law, scholars have noted the Federal Circuit's distinct lack of influence on the law. Thus, unnoticed, the Federal Circuit has become one of the most influential actors in the creation of intellectual property licensing law. Its influence reaches across all areas of intellectual property, industries, and all federal circuits and state courts. But the Federal Circuit's influence on licensing law is more than just a matter of academic interest: licensing is critical to innovation in the information economy. Licenses underlie the creation and distribution of ideas, information, inventions, and works. Products as diverse as open source software and soybean seed rely on licensing.

The Federal Circuit's influence emerged out of failed attempts to create uniform statutory licensing law, which has left licensing law to develop as common law. Since its creation in 1982, the Federal Circuit has decided more cases involving licensing law than any other state or federal court. Many courts have looked to and followed the Federal Circuit's decisions. The Federal Circuit's general approach has been to uphold modern licensing models, which fosters both technological and business model innovation. This approach is consistent with the approach taken by most other courts, including the Supreme Court. At the urging of the U.S. Solicitor General and others, the Supreme Court probed the Federal Circuit's licensing law jurisprudence in a recent case, *Quanta Computer, Inc. v. LG Electronics, Inc.* While the Supreme Court reversed the Federal Circuit in a unanimous decision, upon close inspection, the reversal actually amounts to an affirmation of the Federal Circuit's core licensing-law jurisprudence.

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INTRODUCTION

Congress created the Court of Appeals for the Federal Circuit in 1982 to decide patent-law appeals.[1] Congress hoped that the Federal Circuit would improve the climate for innovation[2] by giving inventors a uniform body of judicial interpretations of patent law decided by judges with patent expertise.[3] Recently, scholars have debated whether the net effect of the Federal Circuit's jurisprudence has been positive or not.[4] Adding fuel to that debate, lately the Supreme Court has decided an unusually large number of patent cases,[5] reversing the Federal Circuit each time,[6] and causing some observers to speculate that the Supreme Court is unhappy with the Federal Circuit's tendencies.[7]

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1. The Federal Circuit's appellate jurisdiction extends to decisions by all District Courts in patent infringement suits, decisions by the Board of Appeals of the Patent and Trademark Office, as well as decisions by the U.S. International Trade Commission and U.S. Claims Court. 28 U.S.C. § 1295(a)(1) (2000). *See* Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826 (2002); Paul M. Janicke, *Two Unsettled Aspects of the Federal Circuit's Patent Jurisdiction*, VA. J.L. & TECH., Spring 2006, at 1, 2, *available at* http://www.vjolt.net/archives.php?issue=30, *permanent copy available at* http://www.law.washington.edu/wlr/notes/84washlrev199n1.pdf.

2. *See, e.g.*, Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. Rev. 1, 28 (1989); Pauline Newman, *The Federal Circuit in Perspective*, 54 AM. U. L. REV. 821, 821–23 (2005).

3. *See* H.R. REP. NO. 97-312, at 20–23 (1981); S. REP. NO. 97-275, at 12–17 (1981); *see also* Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 234 F.3d 558, 571–72 (Fed. Cir. 2000) (en banc).

4. *See, e.g.*, Rochelle Cooper Dreyfuss, *The Federal Circuit: A Continuing Experiment in Specialization*, 54 CASE W. RES. L. REV. 769 (2004); Glynn S. Lunney, *Patent Law, the Federal Circuit, and the Supreme Court: A Quiet Revolution*, 11 SUP. CT. ECON. REV. 1 (2004); S. Jay Plager, *The Price of Popularity: The Court of Appeals for the Federal Circuit 2007*, 56 AM. U. L. REV. 751 (2007); William C. Rooklidge & Matthew F. Weil, *Judicial Hyperactivity: The Federal Circuit's Discomfort with its Appellate Role*, 15 BERKELEY TECH. L.J. 725 (2000); R. Polk Wagner & Lee Petherbridge, *Is the Federal Circuit Succeeding? An Empirical Assessment*, 152 U. PA. L. REV. 1105 (2004).

5. *See* 4 DONALD S. CHISUM, CHISUM ON PATENTS § 11.06[3][e][i], at 11-651 n.262 (2005) ("In the past, the Supreme Court has granted certiorari in only a small percentage of patent cases."); *see also* Cardinal Chem. Co. v. Morton Int'l, Inc., 508 U.S. 83, 97 (1993) ("As a matter of practice, the possibility that we would grant certiorari simply to review that [Federal Circuit's] resolution of an infringement issue is extremely remote, but as a matter of law we could do so . . . ."); Plager, *supra* note 4, at 755 (noting that the Supreme Court has intervened when it appears that the Federal Circuit is "creating special rules that are unwarranted").

6. *E.g.*, KSR Int'l Co. v. Teleflex, Inc., 550 U.S. 398 (2007); Microsoft Corp. v. AT&T Corp., 550 U.S. 437 (2007); MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118 (2007); eBay, Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006).

7. *E.g.*, Rebecca S. Eisenberg, *The Supreme Court and the Federal Circuit: Visitation and Custody of Patent Law*, 106 MICH. L. REV. FIRST IMPRESSIONS 28 (2007), http://www.michiganlawreview.org/firstimpressions/vol106/eisenberg.pdf, *permanent copy*

The cases decided by the Federal Circuit typically involve familiar patent law issues such as patent validity[8] or the scope of patent claims.[9] Although other issues arise from time to time, the Federal Circuit's role is unremarkable except in one significant area of modern law—*licensing law*.[10] Unnoticed, even in the recent hot spotlight focused on the Federal Circuit, is the fact that the Federal Circuit has become one of the most influential forces in the creation of licensing law.[11] On one level, this is not surprising; one would expect the court to handle cases involving patent licenses.[12] However, the Federal Circuit's influence now reaches beyond patent licensing, across all areas of intellectual property and industries, and across all federal circuits and state courts.

The Federal Circuit's influence emerged out of failed attempts to create uniform statutory licensing law. In the wake of these failed

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available at http://www.law.washington.edu/wlr/notes/84washlrev199n7.pdf; Arthur J. Gajarsa & Lawrence P. Cogswell, *The Federal Circuit and the Supreme Court*, 55 AM. U. L. REV. 821 (2006). According to Professor Eisenberg, the Supreme Court intervenes: when the Federal Circuit's patent jurisprudence is at odds with treatment of similar issues in other fields of law; when the Federal Circuit has departed from the Supreme Court's patent law precedent; to resolve internal disputes within the Federal Circuit; when the Supreme Court seeks Solicitor General's view and the Solicitor General recommends that the Court take the case (this is important because there are no circuit splits to show possible tensions in the law); when amicus briefs urge acceptance. Eisenberg, *supra* at 29–30.

8. *See generally* John R. Allison & Mark A. Lemley, *How Federal Circuit Judges Vote in Patent Validity Cases*, 27 FLA. ST. U. L. REV. 745 (2000); John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185 (1998).

9. *See generally* Christian A. Chu, *Empirical Analysis of the Federal Circuit's Patent Claim Construction Trends*, 16 BERKLEY TECH. L.J. 1075 (2001); Christopher A. Cotropia, *Patent Claim Interpretation Methodologies and Their Claim Scope Paradigms*, 47 WM. & MARY L. REV. 49 (2005); *see also* Christopher A. Cotropia, *Nonobviousness and the Federal Circuit: An Empirical Analysis of the Recent Case Law*, 82 NOTRE DAME L. REV. 911 (2007).

10. In this article I use the term "licensing law" to refer to the law that pertains to intellectual property, software, and information licensing. *See generally* JAY DRATLER, LICENSING OF INTELLECTUAL PROPERTY (1999); ROGER MILGRIM, MILGRIM ON LICENSING (1999); XUAN-THAO N. NGUYEN, ROBERT W. GOMULKIEWICZ, & DANIELLE CONWAY-JONES, INTELLECTUAL PROPERTY, SOFTWARE, AND INFORMATION LICENSING: LAW AND PRACTICE 2–5 (2006); RAYMOND T. NIMMER & JEFF C. DODD, MODERN LICENSING LAW § 1:2 (2005).

11. Outside of patent law and the Federal Circuit's potential influence on antitrust law, see Ronald S. Katz & Adam J. Safer, *Should One Patent Court Be Making Antitrust Law for the Whole Country?*, 69 ANTITRUST L.J. 687 (2002), the Federal Circuit has been notable for its distinct *lack* of influence on other circuit courts. *See* Dreyfuss, *supra* note 4, at 779. However, one student commentator has also noted the influence of the Federal Circuit's decisions involving standard forms. *See* Christopher M. Kaiser, Comment, *Take It or Leave It:* Monsanto v. McFarling, Bowers v. Baystate, *and the Federal Circuit's Formalistic Approach to Contracts of Adhesion*, 80 CHI.-KENT L. REV. 487 (2005).

12. *E.g.*, LG Elecs., Inc. v. Bizcom Elecs., Inc., 453 F.3d 1364 (Fed. Cir. 2006). This case is discussed *infra* at Part V.A.

efforts, licensing law has developed as common law. Since its creation in 1982, the Federal Circuit has decided more cases involving licensing law than any other state or federal court. With licensing law evolving through the common law, other courts have looked to the Federal Circuit's case law for guidance in deciding licensing-related cases. More will undoubtedly do so in the future.

The Federal Circuit's licensing-law jurisprudence is more than just a matter of academic interest. Licensing is a critical transaction model in the information economy because it enables innovation.[13] Products as diverse as open source software and soybean seed rely on licensing. Consequently, the nature of the Federal Circuit's licensing-law jurisprudence, like its patent-law jurisprudence,[14] strongly influences the climate for innovation in the United States—for good or for ill. The Supreme Court undoubtedly understands this, as it recently reviewed a Federal Circuit case, *Quanta Computer, Inc. v. LG Electronics, Inc.*,[15] which lies at the heart of the Federal Circuit's licensing-law jurisprudence.

This Article begins by describing in Part I the emergence of licensing as the dominant transaction model in the information economy. It then explores in Part II the development of licensing law in the United States and how, in the wake of failed attempts to create uniform statutory licensing law, the law has evolved largely as common law. This Article then explains in Part III and Part IV how the Federal Circuit has begun to shape this common law by deciding more and more cases involving licenses, and how other courts now look to the Federal Circuit for guidance in deciding licensing-related cases. In Part V, this Article explores the nature of the Federal Circuit's licensing-law jurisprudence, focusing on its "first sale" jurisprudence. This Part also examines how the Federal Circuit's case law meshes with the decisions of other circuits and the Supreme Court, including the Supreme Court's recent *Quanta Computer* decision.

This Article concludes in Part VI that the Federal Circuit has been a good but sometimes imperfect steward of modern licensing practices. This is well illustrated by the *Quanta Computer* case. In that case, the

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13. *See* NGUYEN ET AL., *supra* note 10 at 2–5, 511–49.

14. *See, e.g.*, Paul M. Janicke & LiLan Ren, *Who Wins Patent Infringement Cases?*, 34 AIPLA Q.J. 1 (2006); Kimberly A. Moore, *Judges, Juries, and Patent Cases—An Empirical Peek Inside the Black Box*, 99 MICH. L. REV. 36 (2000).

15. 553 U.S. __, 128 S. Ct. 2109 (2008). *See* discussion of this case *infra* at Part IV.B.3.

Supreme Court unanimously overturned the Federal Circuit's ruling, yet left the Federal Circuit's core licensing-law jurisprudence relatively intact despite numerous urgings through amicus briefs and academic literature to send a stern corrective message to the Federal Circuit as it had in several recent patent cases.[16] This Article also highlights some areas that the Federal Circuit should give heightened attention to, given its highly influential role in the creation of licensing law.

I. THE EMERGENCE OF LICENSING AS A TRANSACTION MODEL AND ITS CRITICAL ROLE IN INNOVATION

The story of the Federal Circuit's role in licensing law must be understood in the context of the evolution of licensing as a business practice. Licensing—granting permission to use intellectual property—is as old as intellectual property itself. The oldest intellectual property statute, the 1474 Venetian Patent Act, mentions licensing in its text.[17] Even though licensing is not new, its prominence as a transaction model is new, driven by a shift in the United States economy.

The economy has undergone a profound transformation in the past few decades, away from emphasizing the production of hard goods and toward the creation of ideas and information. Today, Americans live in an "information economy." The commercial transactions of the information economy emphasize the creation, distribution, and use of intellectual property, services, and intangibles. As a result, the dominant transaction model has changed from sales contracts to information licenses.[18] Licensing has emerged as an important transaction model because it enables innovation, and innovation is critical to the United

16. *E.g.*, KSR Int'l Co. v. Teleflex, Inc., 550 U.S. 398, 415 (2007) ("We begin by rejecting the rigid approach of the Court of Appeals."); eBay, Inc. v. MercExchange, L.L.C., 547 U.S. 388, 393 (2006) (specifically objecting to the Federal Circuit's approach).

17. *See* Giulio Mandich, *Venetian Patents (1450–1550)*, 30 J. PAT. & TRADEMARK OFFICE SOC'Y 166, 177 (1948) ("[E]very person who shall build any new and ingenious device in this City, not previously made in our Commonwealth, shall give notice of it to the office of our General Welfare Board . . . . It being forbidden to every other person in any of our territories and towns to make any further device conforming with and similar to said one, *without the consent and license of the author* for the term of 10 years." (emphasis added)).

18. *See* NGUYEN ET AL., *supra* note 10, at 2–14; *see also* MICHAEL A. CUSUMANO, THE BUSINESS OF SOFTWARE (2004) (describing the development of the software business and the role that licenses played); Robert W. Gomulkiewicz, *How Copyleft Uses License Rights to Succeed in the Open Source Software Revolution and the Implications for Article 2B*, 26 HOUS. L. REV. 179, 185–86 (1999) (describing how licenses are the "unnoticed force" behind the open source software revolution).

States economy.[19] As explained below, there are two types of innovation in the information economy: technological innovation and business-model innovation. Licensing is at the heart of each.

A. Technological Innovation: Licenses to Build Products

Licensing is a tool used by producers to build innovative products. The basic personal computer system ("PC") provides a good illustration. A PC runs operating-system software, such as GNU/Linux or Microsoft Windows. Although many see the "open source" GNU/Linux software and the "binary use" Microsoft Windows software[20] as polar opposites in many respects,[21] they share one important feature: both are built on an array of licenses.[22]

If a PC is running Windows software, then the user is running software created by dozens of programmers who are not employed by Microsoft. Windows software includes many lines of code written by third parties, small and large. It also includes inventions that are covered by third-party patents and depends upon third-party information, including trade secrets. Licensing is the primary legal tool that Microsoft uses to include third-party technology in its Windows product. The operating system may be called Microsoft Windows, but it is a more innovative product than Microsoft could create alone because of the third-party technology included via licensing.[23]

If the PC is running the GNU/Linux operating system, then licensing has also played a key role in the operating system's creation.[24] Linus

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19. Indeed, some believe that innovation is America's sole remaining competitive advantage. *See generally* 3 DALE W. JORGENSON ET AL., PRODUCTIVITY: INFORMATION TECHNOLOGY AND THE AMERICAN GROWTH RESURGENCE (2005); 3 DALE W. JORGENSON, ECONOMETRICS: GROWTH IN THE INFORMATION AGE (2002); CARL SHAPIRO & HAL R. VARIAN, INFORMATION RULES: A STRATEGIC GUIDE TO THE NETWORK ECONOMY (1999).

20. *See* Robert W. Gomulkiewicz, *General Public License 3.0: Hacking the Free Software Movement's Constitution*, 42 HOUS. L. REV. 1015, 1019–21 (2005) (explaining the distinction between "open source" and "binary use" software).

21. *See* ROBERT YOUNG & WENDY GOLDMAN ROHM, UNDER THE RADAR: HOW RED HAT CHANGED THE SOFTWARE BUSINESS—AND TOOK MICROSOFT BY SURPRISE 81 (1999) (discussing open source products versus "binary" products).

22. A hot topic in the open source community is whether there are, perhaps, too many varieties of open source licenses. *See* Robert W. Gomulkiewicz, *Open Source License Proliferation: Helpful Diversity or Hopeless Confusion?*, 30 WASH. U. J.L. & POL'Y (forthcoming 2009).

23. *See* Xuan-Thao Nguyen & Jeffery A. Maine, *Acquiring Innovation*, 57 AM. U. L. REV. 775, 776–92 (2008) (describing how technology companies such as Microsoft and Sun Microsystems improve their products by acquiring third-party technology).

24. *See* LAWRENCE ROSEN, OPEN SOURCE LICENSING 1–8, 51–69 (2005).

Torvalds is known as the author of the Linux kernel, yet Torvalds did not write most of the code that comprises Linux today. Linux is the result of the collaboration of hundreds of different programmers[25] who combine their work.[26] From a legal point of view, Linux was created by hundreds of licenses exchanged between the contributors to the Linux project. Furthermore, Linux is only part of the operating system (the kernel). Licensing is also the basis for combining the Linux kernel with GNU software from the Free Software Foundation[27] (hence GNU/Linux) and other third-party code to create a complete operating system.[28]

B. Technological Innovation: Licenses to Create Customer Solutions

After technology is built, the producer often wants to maximize the way that it interacts with other technologies so that the product is useful to end users. Again, the PC provides a good illustration. A PC may have a CPU produced by Dell, a pointing device developed by LogiTech, a microprocessor designed by AMD and fabricated by NEC, a keyboard manufactured by IBM, speakers by Bose, and software written by Microsoft, Mozilla, Apache, and Adobe. It may also connect to the Internet because of technology created using standards by IETF[29] and W3C,[30] and telephony provided by AT&T. In order for the PC to work as a useful customer system, all of these entities had to share technology, information, or intellectual property. Licensing allows this sharing to occur.

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25. Eric S. Raymond wrote the most famous essays on this collaboration: *The Cathedral and the Bazaar*, *Homesteading the Noosphere*, and *The Magic Cauldron*. ERIC S. RAYMOND, THE CATHEDRAL AND THE BAZAAR: MUSINGS ON LINUX AND OPEN SOURCE SOFTWARE BY AN ACCIDENTAL REVOLUTIONARY 19, 65, 113 (2001).

26. *See* STEVEN WEBER, THE SUCCESS OF OPEN SOURCE 172–79 (Harvard Univ. Press 2004).

27. *See generally* RICHARD M. STALLMAN, FREE SOFTWARE, FREE SOCIETY: SELECTED ESSAYS OF RICHARD M. STALLMAN 28 (2002) (Stallman founded the Free Software Foundation and the GNU software-development project), *permanent copy available at* http://www.law.washington.edu/wlr/notes/84washlrev199n27.pdf.

28. *See* Richard M. Stallman, *The GNU Operating System and the Free Software Movement*, *in* OPEN SOURCES: VOICES FROM THE OPEN SOURCE REVOLUTION, 53, 65–66 (DiBona et al. eds., 1999), *permanent copy available at* http://www.law.washington.edu/wlr/notes/84washlrev199n28.pdf.

29. *See* IETF Overview, http://www.ietf.org/overview.html (last visited Mar. 22, 2009), *permanent copy available at* http://www.law.washington.edu/wlr/notes/84washlrev199n29.pdf.

30. *See* W3C in 7 Points, http://www.w3.org/Consortium/Points/ (last visited Apr. 18, 2009), *permanent copy available at* http://www.law.washington.edu/wlr/notes/84washlrev199n30.pdf; *see generally* Mark A. Lemley, *Intellectual Property Policy and Standard-Setting Organizations*, 90 CAL. L. REV. 1889 (2002).

C. *Business-Model Innovation: Licenses to Distribute Products*

One feature of the information economy is the innovative ways that distributors of information products have invented to get products to market.[31] Continuing with our PC example, we can see that PC software developers distribute their products through Value Added Resellers (VARs), Original Equipment Manufacturers (OEMs), distributors (e.g., Ingram), and retailers (e.g., Wal-Mart). Software is distributed electronically through email attachments, chat rooms, and via download from thousands of web sites, web pages, and bulletin boards.[32] Software gets distributed in cereal boxes and with the morning newspaper. It's not hard to find software anymore; it's hard to avoid software finding you. What legal tool underlies these diverse distribution practices? The answer is licensing.

D. *Business-Model Innovation: Licenses to Use Products*

As I have explored in detail elsewhere,[33] end-user licensing enables PC-software developers to provide users with a variety of information products at a variety of price points and for a variety of uses.[34] Software publishers come in all shapes and sizes and with a multitude of

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31. *See* Christine Mumford, *Businesses Advised to Diversify Content, Tactics to Keep Up with Changing Web*, E-COMMERCE L. DAILY (Dec. 12, 2007),

http://www.bna.com/products/ip/ecdm.htm (stating that customers can obtain information in many places through many means and because of this, Gannett Co. has changed its "newsrooms to information centers . . . delivering information when and where a customer wants it, on whatever platform—be it in a traditional browser, on a blackberry, an iPod, or a widget on a Web page" (quoting Craig Dubow, president and CEO of Gannet Co. Dubow, who attributes this change to Internet entrepreneurs and fierce competition)), *permanent copy available at* http://www.law.washington.edu/wlr/notes/84washlrev199n31.pdf; *see also* Kim Komando, *Avoid Hassles; Let Sites Run Stores*, SEATTLE TIMES, Jan. 28, 2008, at E2 (describing a wide variety of options for product distribution via on-line stores for small and large businesses provided by Amazon.com, Yahoo, and eBay).

32. *See* Benjamin J. Romano, *Microsoft to Add "Community Games,"* SEATTLE TIMES, Feb. 21, 2008, at C1, C4 (describing on-line distribution and use of games).

33. Robert W. Gomulkiewicz, *Getting Serious About User-Friendly Mass Market Licensing for Software*, 12 GEO. MASON L. REV. 687 (2004) [hereinafter Gomulkiewicz, *Getting Serious*]; Robert W. Gomulkiewicz, *The License Is the Product: Comments on the Promise of Article 2B for Software and Information Licensing*, 13 BERKELEY TECH. L.J. 891 (1998) [hereinafter Gomulkiewicz, *The License Is the Product*]; Robert W. Gomulkiewicz & Mary L. Williamson, *A Brief Defense of Mass Market Software License Agreements*, 22 RUTGERS COMPUTER & TECH. L.J. 335 (1996).

34. *See, e.g.*, Benjamin J. Romano, *Microsoft Builds Virtualization Vision*, SEATTLE TIMES, Jan. 22, 2008, at E1, E4 (reporting on licensing and pricing changes in light of new virtualization technology).

objectives. Universities, non-profit organizations, individuals, collections of individuals, and small and large firms all develop and license software to end-users.[35] Free and open source software again provides a powerful example. Because of open source licensing, software users have the freedom to add new features and fix bugs and the legal ability to hire others to do the same.[36] End-user licensing also allows software developers to offer packages of software and services; flexible client-server computing-usage models; and the same code to business users at one price, home users for a lower price, academic users for yet a lower price, and charitable organizations for free. In sum, end-user licensing is a key component of business-model innovation in the information economy.

II. EVOLUTION OF LICENSING LAW

A. A Body of Law Takes Shape

In one sense there has always been "licensing law." License transactions existed, so therefore practicing lawyers and courts had to apply legal principles to these transactions.[37] For instance, they had to determine whether the offer, acceptance, and consideration were adequate to create a contract. In a dispute over the meaning of contractual language, they had to determine what canons of construction should apply. In case of breach of contract, they had to fix appropriate remedies. And so on. In other words, licensing law existed before the label attached.

Only in recent times have scholars become aware of "licensing law" as a distinct body of law, although it is a looser and less formalized body of law (at least at this point in time) than many bodies of law such as real property law, tort law,[38] or even traditional contract law for the sale of

35. *See* Gomulkiewicz, *The License Is the Product*, *supra* note 33, at 897–98 (listing several non-profit organizations that employ end-user licenses).

36. *See* Robert W. Gomulkiewicz, *De-bugging Open Source Software Licensing*, 64 U. PITT. L. REV. 75, 75–76 (2002); Gomulkiewicz, *supra* note 18, at 181.

37. *See generally* STEVEN Z. SZCZEPANSKI, ECKSTROM'S LICENSING IN FOREIGN AND DOMESTIC OPERATIONS (1995) (discussing law and practice of licensing).

38. Even though tort law now is considered "old school," its acceptance as a body of law only dates back to the turn of the century. In 1941, Professor William L. Prosser commented in his first treatise on the law of torts that there was no recognition of torts as a distinct branch of law in the mid to late 1800s, and as late as 1871 "the leading American legal periodical said that 'We are inclined to think that Torts is not a proper subject for a law book.'" *See* WILLIAM L. PROSSER, HANDBOOK OF THE LAW OF TORTS 23–24 (1st ed. 1941).

goods.[39] There is a large and diverse collection of laws that bear on and shape licenses.[40]

Contract law is one of the most important ingredients in licensing law. Licenses are contracts, so licensing law fundamentally involves contract law.[41] The principle is simple, but the reality is complex. Contract law related to licensing comes from a wide variety of different sources, including the common law, Article 2 of the Uniform Commercial Code ("UCC 2"), and the *Restatement (Second) of Contracts*.[42] Besides contract law, intellectual property law is an important aspect of licensing law. Intellectual property law influences licenses in a variety of ways. Intellectual property law provides contract rules in some instances, such as a statute of frauds for exclusive copyright licenses.[43] In other cases, it provides the backdrop for licenses and influences their content and interpretation.[44] In still other cases, the fact that intellectual property is the subject of the contract places boundaries around freedom of contract. These boundaries, expressed in terms of antitrust, misuse, and preemption, are an important aspect of licensing law.[45]

The contract law applicable to license transactions began as common law, and has never changed for pure intellectual-property licenses, such as patent and trademark licenses.[46] However, with the rise of the software industry, many courts began to look on software transactions as akin to sales of goods (as they often seemed, as the software was embedded in computer hardware or distributed in boxes). Thus, many courts looked to UCC 2 as the primary source of contract law.[47]

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39. *See generally* U.C.C. Art. 2 (2005); RESTATEMENT (SECOND) OF CONTRACTS (1981).

40. For example: contract, intellectual property, consumer protection, constitutional, and antitrust law. *See* NGUYEN ET AL., *supra* note 10 at 14–39.

41. *See* McCoy v. Mitsuboshi Cutlery, Inc., 67 F.3d 917, 920 (Fed. Cir. 1995) ("[A] license is a contract governed by ordinary principles of state contract law." (internal citations omitted)). Some in the free and open software community have argued that open source licenses are not contracts, but that argument is questionable. *See* Robert W. Gomulkiewicz, *Conditions and Covenants in License Contracts: Tales From a Test of the Artistic License*, 17 TEX. INTELL. PROP. L.J. 335, 345–46 (2009).

42. *See id.*

43. 17 U.S.C. § 204 (2000).

44. *See, e.g.*, S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081 (9th Cir. 1989) (construing license grant with reference to copyright policy).

45. *See, e.g.*, United States v. Microsoft Corp., 253 F.3d 34 (D.C. Cir. 2001) (en banc) (antitrust); Practice Mgmt. Info. Corp. v. American Med. Ass'n, 121 F.3d 516 (9th Cir. 1997) (misuse).

46. *See* NGUYEN ET AL., *supra* note 10 at 14–15.

47. *Id.* at § 15-18.

In the 1990s, many people began to see the need for a cohesive body of contract law for licensing software and information.[48] The organizations that created the Uniform Commercial Code—the National Conference of Commissioners on Uniform State Laws (NCCUSL) and the American Law Institute (ALI)—initially decided to address it by adding it to the agenda of the re-write of UCC 2, which was already in progress.[49] When this approach proved to be inadequate, they set out to create a separate article of the UCC to deal specifically with licenses.[50] This statute was to be known as UCC Article 2B (UCC Article 2 for sales, 2A for leases, and 2B for licenses).[51]

B. The UCC Article 2B and Uniform Computer Information Transactions Act (UCITA) Experiment

The Article 2B project created intense debate, especially about the interplay between contract law and intellectual property law,[52] enforceability of mass-market licenses,[53] and use of electronic self-help.[54] The ALI eventually withdrew its support. Nonetheless, NCCUSL

48. *See* Raymond T. Nimmer et al., *License Contracts Under Article 2 of the Uniform Commercial Code: A Proposal*, 19 RUTGERS COMPUTER & TECH. L.J. 281 (1993).

49. *See* Raymond T. Nimmer, *Intangibles Contracts: Thoughts of Hubs, Spokes, and Reinvigorating Article 2*, 35 WM. & MARY L. REV. 1337 (1994).

50. *See* Thom Weidlich, *Commission Plans New U.C.C. Article: Committee Prepares to Draft Proposal on Licensing*, NAT'L L.J., Aug. 28, 1995, at B1.

51. *See id.*

52. *See* U.C.I.T.A. § 105 (2000) ("Relation to Federal Law"); David McGowan, *Free Contracting, Fair Competition, and Article 2B: Some Reflections on Federal Competition Policy, Information Transactions, and "Aggressive Neutrality,"* 13 BERKELEY TECH. L.J. 1173 (1998); Raymond T. Nimmer, *Breaking Barriers: The Relation Between Contract and Intellectual Property Law*, 13 BERKELEY TECH. L.J. 827 (1998). In response to criticisms about the intellectual property/contract law interplay, the 2002 Amendments to UCITA limit a licensor's ability to prohibit reverse engineering by contract. U.C.I.T.A. § 118 (2002) ("Terms Relating to Interoperability and Reverse Engineering"); *see also* Jonathan Band, *Closing the Interoperability Gap: NCCUSL's Adoption of a Reverse Engineering Exception in UCITA*, COMPUTER & INTERNET LAW, May 2002, at 1. Compare this approach to the Federal Circuit's ruling in *Bowers v. Baystate Technologies, Inc.*, 320 F.3d 1317 (Fed. Cir. 2003), discussed *infra* at Part VI.A.

53. *See* U.C.I.T.A. §§ 112–13 (2000) ("Manifesting Assent"; "Opportunity to Review"); *id.* § 209 ("Mass-Market License"); Gomulkiewicz, *The License Is the Product*, *supra* note 33; Mark A. Lemley, *Beyond Preemption: The Law and Policy of Intellectual Property Licensing*, 87 CAL. L. REV. 111 (1999).

54. *See* U.C.I.T.A. § 815 ("Right to Possession and Prevent Use"); Julie E. Cohen, *Copyright and the Jurisprudence of Self-Help*, 13 BERKELEY TECH. L.J. 1089 (1998); David Freidman, *In Defense of Private Orderings: Comments on Julie Cohen's "Copyright and the Jurisprudence of Self-Help,"* 13 BERKELEY TECH. L.J. 1151 (1998). NCCUSL's 2002 Amendments to UCITA ban the use of electronic self-help, even if the parties agree to it. *See* U.C.I.T.A. § 816 ("Limitations on Electronic

decided to move forward and renamed the project the Uniform Computer Information Transactions Act (UCITA). NCCUSL approved UCITA in 1999, and Maryland and Virginia enacted it shortly thereafter.[55] Since that time, however, no other state has enacted UCITA, and several states have passed legislation purporting to preclude any contractual choice of law choosing UCITA.[56]

C. The 2003 Amendments to UCC 2

NCCUSL and ALI set out in the early 1950s to create a modern code of contract law for sales of goods. This new code, UCC 2, was specifically tailored to fit *goods*-related *sales* (i.e., as opposed to sales of things like *services* or *leases* of goods). Although UCC 2 is now considered mainstream, its adoption by the states, at the time, proved to take a relatively long period and was often controversial.[57]

As information-related transactions (including licenses) began to emerge with increasing frequency and disputes about them began to come before the courts, judges often looked to UCC 2 as a source of law, despite that fact that, traditionally, the common law applied to intellectual property licenses and services contracts.[58] Sometimes courts applied UCC 2 because the transaction at issue resembled a sale of goods, but often the court applied UCC 2 simply because it provided a comprehensive and readily ascertainable set of contract principles with which the court was familiar.[59] However, some commentators do not believe this is sound,[60] and an increasing number of courts have also

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Self-Help").

55. *See* MD. CODE ANN., COM. LAW §§ 22-101 to 22-816 (West 2005); VA. CODE ANN. §§ 59.1-501.1 to 59.1-509.2 (2006).

56. Iowa, North Carolina, Vermont, and West Virginia have passed such legislation in various forms. *See* IOWA CODE ANN. § 554D.125 (West 2001 & Supp. 2009); N.C. GEN. STAT. § 66-329 (2007); VT. STAT. ANN. tit. 9, § 2463a (2006); W. VA. CODE ANN. § 55-8-15 (LexisNexis 2008). Legislation to prevent the application of UCITA has come to be known as "bomb shelter" legislation. NCCUSL responded to some of the criticisms of UCITA by passing a series of amendments in 2002, but no additional states have adopted UCITA. Note that Maryland and Virginia adopted UCITA prior to the 2002 Amendments.

57. *See* Raymond T. Nimmer, *UCITA and the Continuing Evolution of Digital Licensing Law*, COMPUTER & INTERNET LAW., March 2004, at 10, 10–11 (describing the adoption process for UCC 2 and comparing it to the adoption process for UCITA).

58. *See* NGUYEN ET AL., *supra* note 10, at 17.

59. *Id.*

60. *See, e.g.*, Lorin Brennan, *Why Article 2 Cannot Apply to Software Transactions*, 38 DUQ. L. REV. 459 (2000).

been circumspect.[61]

In 1991 when NCCUSL appointed a Drafting Committee to revise UCC 2, the issue of UCC 2's applicability to information transactions was placed squarely on the table.[62] The UCC 2 process turned out to be long and difficult for a variety of reasons.[63] ALI passed a draft in 1999, but NCCUSL did not.[64] Eventually, the Drafting Committee was reconstituted, a new Reporter chosen, and the scope of the project narrowed from a complete rewrite to a series of amendments, which came to be known as the 2003 Amendments to Uniform Commercial Code Article 2—Sales.[65]

One of the issues that vexed the Drafting Committee was how to distinguish between transactions in *goods* and transactions in *information*. Ultimately, the Drafting Committee reiterated that UCC 2 was never intended to apply to information and revised UCC 2 to make the point clearer.[66] According to Reporter Henry Gabriel and Drafting Committee Chairman William Henning: "[T]he definition of 'goods' was changed to make clear what has always been true—the term does not include information."[67] As to transactions that include both goods and information, the Official Comments state that it is up to the courts to determine whether a transaction is entirely within UCC 2 or whether UCC 2 should apply to only part of the transaction.[68]

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61. *See, e.g.*, iLAN Sys., Inc. v. Netscout Serv. Level Corp., 183 F. Supp. 2d 328, 332 (D. Mass. 2002) (stating "Article 2 technically does not, and certainly will not in the future, govern software licenses, but for the time being, the Court will assume it does" and noting a "legislative void" of useful contract law for licenses).

62. *See generally* Nimmer, *supra* note 49.

63. *See generally* Linda J. Rusch, *A History and Perspective of Revised Article 2: The Never Ending Saga of a Search for Balance*, 52 SMU L. REV. 1683 (1999).

64. *See* JAMES J. WHITE & ROBERT S. SUMMERS, UNIFORM COMMERCIAL CODE: REVISED ARTICLE 1 AND AMENDED ARTICLE 2—SUBSTANCE AND PROCESS SUPPLEMENT 49–52 (2005).

65. *Id.*

66. *See* U.C.C. § 2-103(k) (2003).

67. *See* Henry Deeb Gabriel & William H. Henning, *Introduction* to 2003 AMENDMENTS TO UNIFORM COMMERCIAL CODE ARTICLE 2—SALES 1, 2 (LexisNexis 2003); *see also* UCC 2-103(k) (providing that the term "goods" does not include information).

68. U.C.C. § 2-103 cmt. 7 ("When a transaction includes both the sale of goods and the transfer of rights in information, it is up to the courts to determine whether the transaction is entirely within or outside of this article . . . ."); see also the official Oklahoma Code Comment regarding UCC 2:

> [T]he definition of 'goods' in this article has been amended expressly to exclude information. . . . There are important differences that exist between goods and information in law, practice, under intellectual property laws and even under the First Amendment. Given these differences, a court fashioning the resolution of a dispute should not simply apply Article 2 by analogy or under a predominate purpose test, but rather should consider the issue, federal policies and rules regarding information, the consequences of applying an Article 2 rule on

D. Retreat Back to the Common Law

Whether one views UCITA as dead,[69] dormant,[70] or still dangerous,[71] the fact is that licensing law will not be codified any time soon.[72] Article 2 of the UCC could have covered licenses but in the end NCCUSL chose not to jump in. Thus, licensing law continues to evolve as common law.[73] The Federal Circuit has stepped into this void, setting precedents

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established practice, and other relevant considerations.

OKLA. ST. ANN. tit. 12A, § 2-105 cmt. 1 (West 2004 & Supp. 2009) (internal citations omitted). For two recent cases in which courts have wrestled with this issue, see *Wachter Management Co. v. Dexter & Chaney, Inc.*, 144 P.3d 747, 751 (Kan. 2006) (addressing a contract including rights to software, installation services, training, and consulting, and ruling that UCC 2 applied to the transaction even though software services were an incidental part of the transaction) and *TK Power, Inc. v. Textron, Inc.*, 433 F. Supp. 2d 1058, 1062 (N.D. Cal. 2006) (stressing that a case-by-case analysis is appropriate in software transactions because software packages vary depending on the needs of the customer; in this case, applying the common law because "most of the price was for the development of software code" and because the contract for the prototypes was for "knowledge, skill, and ability" rather than "for the actual material goods").

69. *See* L.J. KUTTEN, COMPUTER SOFTWARE: PROTECTION, LIABILITY, LAW, FORMS § 10:8 (2009) (describing UCITA as "dead").

70. Professor Nimmer argues that any final pronouncement about the viability of UCITA is premature judged in light of UCC 2's long and often controversial journey toward widespread adoption. Nimmer, *supra* note 57; *see also* Robert A. Hillman & Jeffrey J. Rachlinski, *Standard Form Contracting in the Electronic Age*, 77 N.Y.U. L. REV. 429, 491 (2002) ("UCITA maintains the contextual, balanced approach to standard terms that can be found in the paper world."); Nim Razook, *The Politics and Promise of UCITA*, 36 CREIGHTON L. REV. 643 (2003).

71. *See, e.g.*, David A. Szwak, *Uniform Computer Information Transactions Act [U.C.I.T.A.]: The Consumer's Perspective*, 63 LA. L. REV. 27 (2002) (criticizing UCITA as a threat to consumers).

72. The American Law Institute (ALI) has begun a project called the "Principles of the Law of Software Contracts." In ALI parlance, a "Principles" project differs from a "Restatement." A Principles project is appropriate when the ALI believes the law is still in its formative stage. As a consequence, a Principles document "accounts for the case law and recommends best practices, without unduly hindering the law's adaptability to future developments." PRINCIPLES OF THE LAW OF SOFTWARE CONTRACTS 2 (Tentative Draft No. 1 March 24, 2008). "Courts can apply the Principles as definitive rules, as a 'gloss' on the common law or U.C.C. Article 2, or not at all, as they see fit." *Id.* at 2–3; *see generally* Maureen A. O'Rourke, *An Essay on the Challenges of Drafting a Uniform Law of Software Contracting*, 10 LEWIS & CLARK L. REV. 925 (2006) (describing the Principles of Software Contracts project).

73. *See* iLAN Sys., Inc. v. Netscout Serv. Level Corp., 183 F. Supp. 2d 328, 332 (D. Mass. 2002) (noting a "legislative void" of useful contract law for licenses). Some of UCITA's provisions have influenced the development of the common law. *See, e.g.*, Specht v. Netscape Commc'ns Corp., 306 F.3d 17 (2d Cir. 2002) (looking to UCITA for guidance on formation of contract issue); Rhone Poulenc Agro, S.A. v. DeKalb Genetics Corp., 284 F.3d 1323, 1330–31 (Fed. Cir. 2002) (looking to UCITA for guidance on bona fide purchaser rule in patent licensing case); AGT Int'l, Inc. v. Level 3 Commc'ns, L.L.C., No. 02-CV-684, 2002 WL 31409879, at *5 (S.D. Ohio July 29, 2002) (looking to UCITA for guidance on duration of object-code license where copy of software is delivered for fixed fee); *see also* Llewellyn Joseph Gibbons, *Stop Mucking Up Copyright Law: A*

that are shaping the landscape of licensing law.

III. CREATION AND JURISDICTION OF THE FEDERAL CIRCUIT

Until the 1980s, any federal circuit court in the United States could hear a patent-law appeal. This led to divergent results in patent cases and frequent forum shopping.[74] Congress established the Federal Circuit to unify appellate jurisdiction for patent appeals.[75] In doing so, Congress hoped to improve the climate for innovation by giving inventors a uniform body of judicial interpretations of patent law decided by judges with patent expertise.[76] Since that time, the Federal Circuit has been a strong "manager and developer" of patent law.[77]

Creation of the Federal Circuit did not change the appellate jurisdiction of regional federal appellate courts in federal copyright or trademark cases,[78] or for state-law trade secret or contract issues arising out of diversity jurisdiction,[79] at least not directly. Indirectly, however, things changed. The Federal Circuit has exclusive appellate jurisdiction in cases where the plaintiff pleads a patent-law issue.[80] As specified in 28 U.S.C. § 1295, the Federal Circuit has exclusive jurisdiction of an appeal from a federal district court if the jurisdiction of that court was based, "in whole or in part," on civil actions arising under "any Act of Congress relating to patents."[81]

Proposal for a Federal Common Law of Contract, 35 RUTGERS L.J. 959, 1027 (2004) (stating that this new federal common law could "accrete UCITA provisions into law as necessary if they provided the superior alternative to the existing contract law model or as gap fillers to another body of contract law").

74. *See* Charles W. Adams, *The Court of Appeals for the Federal Circuit: More than a National Patent Court*, 49 MO. L. REV. 43, 55–57 (1984); Dreyfuss, *supra* note 2, at 6–7.

75. *See* Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982).

76. *See supra* notes 2 & 3 and accompanying text.

77. R. Polk Wager & Lee Petherbridge, *supra* note 4, at 1116.

78. 28 U.S.C. § 1291 (2000).

79. Contract issues may be litigated in state court or in federal court under its diversity jurisdiction. 28 U.S.C. § 1332 (2000).

80. 28 U.S.C. §§ 1295(a), 1338 (2000). *See* Holmes Group, Inc. v. Vornado Air Circulation Sys. Inc., 535 U.S. 826 (2002); Christianson v. Colt Indus. Operating Corp., 486 U.S. 800, 808–09 (1988) (holding that a patent issue must appear in well-pleaded complaint).

81. 28 U.S.C. § 1338(a) (2000). However, if the patent-law issue arises in the context of a case in which the trial court does not have jurisdiction under § 1338, such as a case in which only contract or copyright claims are pled, then the regional federal circuit (or perhaps a state appellate court for a claim based exclusively on state law) would have appellate jurisdiction, not the Federal Circuit. *See* Janicke, *supra* note 1, at 12. The literature on the Federal Circuit's jurisdiction is voluminous. *See,*

Consequently, the Federal Circuit's jurisdiction sweeps in many licensing-law cases. Naturally, the Federal Circuit decides cases that combine patent and contract-law issues. On top of that, its broad appellate jurisdiction often requires it to handle infringement and breach of contract issues that arise from copyright, trademark, and trade secret licenses.[82] In other words, the Federal Circuit gets the opportunity to set precedents on a regular basis involving licenses of all types of intellectual property and involving all types of creative and innovative works.

IV. THE FEDERAL CIRCUIT'S INFLUENCE IN THE DEVELOPMENT OF LICENSING LAW

A. Defining "Influence"

Sometimes it is easy to see one court's influence over another; in fact, sometimes the influence is mandatory. A trial court is required to follow the precedents of the appellate courts in its jurisdiction. A panel of judges in a federal circuit must follow the decisions of prior panels. All courts must follow the lead of the U.S. Supreme Court.

Outside of these contexts, however, it is harder to gauge influence. Cross-pollination of ideas is natural[83] and encouraged across federal circuits,[84] but how does one determine the influence that one peer appellate court has on another? Ultimately the matter comes down to two things: practicality and persuasiveness. As a practical matter, a court with a difficult issue to resolve and no binding precedents to apply will look to other courts for useful on-point or related cases. Then, for a court to adopt the decision of a non-binding jurisdiction, the court must find

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e.g., John Donofrio & Edward C. Donovan, Christianson v. Colt Industries Operating Corp.: *The Application of Federal Question Precedent to Federal Circuit Jurisdiction Decisions*, 45 AM. U. L. REV. 1835 (1996); Rooklidge & Weil, *supra* note 4; Larry D. Thompson Jr., *Adrift on a Sea of Uncertainty: Preserving Uniformity in Patent Law Post-*Vornado *Through Deference to the Federal Circuit*, 92 GEO. L. J. 523 (2004).

82. *E.g.*, Jacobsen v. Katzer, 535 F.3d 1373 (Fed. Cir. 2008) (addressing breach-of-contract and copyright-infringement issues in open source software license); *see also* Gomulkiewicz, *supra* note 41.

83. In fact, circuits other than the Federal Circuit decide cases that influence patent licenses. *See, e.g.*, Everex Sys., Inc. v. Cadtrak Corp., 89 F.3d 673 (9th Cir. 1996) (discussing the assignability of patent license); PPG Indus., Inc. v. Guardian Indus. Corp., 597 F.2d 1090 (6th Cir. 1979) (same); Unarco Indus., Inc. v. Kelley Co., 465 F.2d 1303 (7th Cir. 1972) (same).

84. *See* Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826, 838–39 (2002) (Stevens, J., concurring); Dreyfuss, *supra* note 2 at 60.

that the reasoning of the non-binding case is sound, sensible, and persuasive. With these principles of practicality and persuasiveness in mind, I have adopted two criteria to test the Federal Circuit's influence in licensing law: absolute number of licensing-law cases decided between October 1, 1982 and February 15, 2008 compared to other jurisdictions; and the number of times the Federal Circuit has been cited, followed, or quoted by other courts in licensing-law issues within that time frame.

B. Number of Licensing-Law Cases Decided

The number of Federal Circuit licensing-law cases is significant because the more cases decided, the greater the odds that another court will find a useful precedent to cite from the Federal Circuit's "catalog" of licensing-law cases. Since its inception in 1982, the Federal Circuit has decided more than one hundred licensing-law cases.[85] This is far more than any other federal circuit court in the same period of time.

As shown in the table below, the number of Federal Circuit licensing-law cases exceeds the totals, respectively, of the Ninth, Second, Fifth, and Seventh Circuits, all of which tend to handle a significant number of cases involving intellectual property. Indeed, the Federal Circuit has decided as many licensing-law cases as the combined total of the influential Ninth and Second Circuits. Not surprisingly, most of the Federal Circuit's cases involved patent licensing, and most of the Ninth and Second Circuit cases involved copyright licensing.[86] Trademark licensing cases were spread evenly across the circuits.[87] However, the

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85. Methodology: search of the BNA Intellectual Property Library database using BNA headnote numbers related to licensing of various types of intellectual property: patents, software, copyrights, trademarks, and trade secrets. The staff of the Marian Gould Gallagher Law Library of the University of Washington School of Law ran these searches. The searches identified cases decided between the dates February 15, 2008 and October 1, 1982. For other articles using a similar methodology, see Barton Beebe, *The Continuing Debacle of U.S. Antidilution Law: Evidence from the First Year of the Trademark Dilution Revision Act Case Law*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 449 (2007-08); Jake Dear & Edward W. Jessen, *"Followed Rates" and Leading State Cases, 1940–2005*, 41 U.C. DAVIS L. REV. 683 (2007).

86. The Ninth Circuit decides many copyright cases because of its proximity to the movie industry. *See* White v. Samsung Elec. Inc., 989 F.2d 1512, 1521 (9th Cir. 1993) (Kozinski, J., dissenting) (referring to the Ninth Circuit as the "Hollywood Circuit"). The Second Circuit decides many copyright cases because of its proximity to the publishing industry. *See* 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 3.07[A], at 3–40 (2008) (referring to the influence of the Second Circuit in copyright-related cases).

87. One would actually expect the Federal Circuit to have decided more cases in trademark

Federal Circuit decided more cases involving software and trade secret licensing.

Licensing Cases
10/1/1982 – 2/15/2008

	Patent	Software	Copyright	Trademark	Trade Secrets	TOTAL
Fed. Cir.	90	13	3	3	4	113
2d Cir.	1	0	36	10	0	47
5th Cir.	0	6	9	11	0	26
7th Cir.	8	7	13	11	2	41
9th Cir.	5	7	38	12	3	65

The number of software-licensing cases is particularly significant because software cases crop up in all circuits and tend to involve copyright and other non-patent issues.[88] These Federal Circuit cases will be directly on point for courts looking for cases to apply. If a court takes an approach different than the Federal Circuit, it will create a circuit split.[89]

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licensing because of its jurisdiction over appeals from the Trademark Office. However, it may be that most of these cases involve the underlying question of protectability rather than issues related to commercialization of trademarks (i.e., licensing).

88. As software developers increasingly use patents to protect software, more cases involving software have come to the Federal Circuit. *See, e.g.*, Bowers v. Baystate Tech., Inc., 320 F.3d 1317 (Fed. Cir. 2003); Atari Games Corp. v. Nintendo of Am. Inc., 975 F.2d 832, 844 (Fed. Cir. 1992). These cases tend to raise copyright, trade secret, and sometimes trademark issues as well as patent issues. *See* Robert W. Gomulkiewicz, *Legal Protection For Software: Still a Work in Progress*, 8 TEX. WESLEYAN L. REV. 445 (2002). As firms focus more on the importance of intellectual property as an asset in the information economy, many other types of transactions will also involve licenses to multiple types of intellectual property.

89. The Federal Circuit decides any copyright, trademark, or trade secret issues applying the law of the circuit from which the case came. *See* Hutchins v. Zoll Med. Corp., 492 F.3d 1377, 1383 (Fed. Cir. 2007). Often the Federal Circuit must intuit this precedent because the applicable circuit does not have any cases on point. *See* Bowers v. Baystate Tech., Inc., 320 F.3d 1317 (Fed. Cir. 2003). In the early 1990s, the Federal Circuit avoided a conflict over the issue of whether reverse engineering software to discover unprotectable ideas was a Copyright Act "fair use." The Federal Circuit's decision in *Atari Games Corp. v. Nintendo of America, Inc.*, 975 F.2d 832 (Fed. Cir. 1992), is consistent with the Ninth Circuit's decision in *Sega Enterprises v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1993). *See also* Sony Corp. v. Connectix Corp., 203 F.3d 596 (9th Cir. 2000).

Beyond the total number of cases, the Federal Circuit's decisions address a wide range of issues. These issues run the gamut: implied licenses,[90] federal-law preemption,[91] enforceability of mass-market licenses,[92] first sale,[93] applicable law,[94] canons of contract construction,[95] transferability,[96] misuse,[97] and antitrust.[98] The sheer volume of Federal Circuit cases combined with the wide variety of issues that they address means that, as these issues crop up in other jurisdictions, courts looking for precedent naturally will consider adopting (and in many cases have adopted, as described in the next Section) precedent from the Federal Circuit.

The range of issues enhances the possibility that even the Federal Circuit's *patent*-licensing cases will prove to be influential. In the absence of an on-point copyright case, for example, a patent-licensing case often makes good analogy.[99] Sometimes the distinction between copyright as a "thin" intellectual property right and patent as a "thick" intellectual property right justifies a difference in treatment between copyright and patent licensing,[100] but on many occasions these differences do not justify distinctions in licensing law. Moreover, in software licensing where the software may be protected by both patents and copyrights, it may not be practicable to apply different licensing principles to the same transaction.

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90. *E.g.*, McCoy v. Mitsuboshi Cutlery, Inc., 67 F.3d 917 (Fed. Cir. 1995).

91. *E.g.*, *Bowers*, 320 F.3d 1317.

92. *Id.*

93. *E.g.*, Mallinckrodt, Inc. v. Medipart, Inc., 976 F.2d 700 (Fed. Cir. 1992).

94. *E.g.*, Power Lift, Inc. v. Weatherford Nipple-Up Sys., Inc., 871 F.2d 1082 (Fed. Cir. 1989).

95. *E.g.*, Augustine Med., Inc. v. Progressive Dynamics, Inc., 194 F.3d 1367 (Fed. Cir. 1999).

96. *E.g.*, Rhone Poulnec Agro S.A. v. DeKalb Genetics Corp., 284 F.3d 1323 (Fed. Cir. 2002).

97. *E.g.*, B. Braun Med., Inc. v. Abbott Labs., 124 F.3d 1419, 1426–27 (Fed. Cir. 1997).

98. *E.g.*, Intergraph Corp. v. Intel Corp., 195 F.3d 1346 (Fed. Cir. 1999).

99. *See, e.g.*, Davis v. Blige, 505 F.3d 90, 104 (2d Cir. 2007) (examining whether copyright license or assignment can operate retrospectively); Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 973 (4th Cir. 1990) (reasoning that because patent law had a misuse doctrine, copyright law should too). In intellectual property cases, the Supreme Court has drawn on patent-law analogies, most famously in *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) (beta max case), and most recently in *Eldred v. Ashcroft*, 537 U.S. 186 (2003) and *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392 (2006) (discussing injunctive relief in patent and copyright cases).

100. *See Eldred*, 537 U.S. at 217.

C. *Citations to Federal Circuit Cases*

Many courts have cited to the Federal Circuit's licensing-law jurisprudence.[101] These courts include other federal circuit courts, federal district courts, and state courts. The relatively large number of citations shows that other courts have acknowledged the Federal Circuit's leadership in this area. Looking more closely at the context of the citations reveals that on many occasions courts adopted the Federal Circuit's approach.[102] In several cases, including a leading case from the Eighth Circuit on Federal Copyright Act preemption, the court quoted from Federal Circuit case law.[103] The Federal Circuit's influence in licensing law is particularly noteworthy given its distinct lack of influence on areas outside of patent law, as several scholars have noted.[104]

D. *Final Observations on the Federal Circuit's "Influence" in Licensing Law*

Judging the Federal Circuit's influence on licensing law is more art than science, of course.[105] It seems beyond question that the degree of influence is more than trivial but less than dominant. The Federal Circuit is not the only voice, but it is an important voice and arguably one of the

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101. *See* Appendix I.

102. *E.g.*, A&M Records v. Napster, Inc., 239 F.3d 1004, 1015 (9th Cir. 2001) (citing Federal Circuit, including once for its interpretation of Ninth Circuit law); E. & J. Gallo Winery v. Gallo Cattle Co., 955 F.2d 1327, 1337 (9th Cir. 1992) ("We agree with the Federal Circuit that a simultaneous assignment and license-back of a mark is valid, where, as in this case, it does not disrupt continuity of the products or services associated with a given mark."); EyeTicket Corp. v. Unisys Corp., 155 F. Supp. 2d 527, 535 (E.D. Va. 2001) (adopting Federal Circuit's categories to classify licenses).

103. Blizzard Entm't, Inc. v. Jung, 422 F.3d 630, 639 (8th Cir. 2005); *see also, e.g.*, Foad Consulting Group, Inc. v. Azzalino, 270 F.3d 821, 828 n.11 (9th Cir. 2001); *In re* CFLC, Inc., 89 F.3d 673, 677 (9th Cir. 1996); Burlington Indus., Inc. v. Solutia, Inc., 256 F. Supp. 2d 433 (M.D.N.C. 2003); Natterman & Cie GmbH v. Bayer Corp., 428 F. Supp. 2d 253, 258 (E.D. Pa. 2006).

104. *See* Dreyfuss, *supra* note 4, at 779. A study in the late 1990s indicated the Federal Circuit's lack of influence in most areas of law. *See* William M. Landes et al., *Judicial Influence: A Citation Analysis of Federal Courts of Appeals Judges*, 27 J. LEGAL STUD. 271, 277–78, 317–18 (1998).

105. Some patent-law scholars have used methods of statistical analysis. For a recent example, see David L. Schwartz, *Practice Makes Perfect? An Empirical Study of Claim Construction Reversal Rates in Patent Cases*, 107 MICH. L. REV. 223 (2008) and Paul M. Janicke & LiLan Ren, *Who Wins Patent Infringement Cases?*, 34 AIPLA Q.J. 1 (2006). Other scholars have gleaned important and interesting insights using less "scientific" methods. *See, e.g.*, Ronald J. Mann, *Do Patents Facilitate Financing in the Software Industry?*, 83 TEX. L. REV. 961 (2005).

most important voices.[106] Is the Federal Circuit more influential than the Second Circuit or Ninth Circuit? There is not enough evidence at this time to reach that conclusion. Given the pace of licensing-law cases coming out of the Federal Circuit, however, it seems safe to predict its continued and increasing influence.[107]

It is also safe to predict that if the Supreme Court overturns the Federal Circuit's licensing-law decisions, it will have an unusually large ripple effect. Almost anytime the Supreme Court reverses the Federal Circuit it affects the parties, the lower courts, and the industries that have come to rely on what seemed to be the established rule.[108] The difference will be a difference in the order of magnitude. An adjustment to the Federal Circuit's approach to licensing law will not just affect patentees and those who use patented inventions. Widespread adoption of Federal Circuit precedents means that an adjustment will also affect industries that base their activities on copyright, software, and information licensing. Furthermore, the reverberation will reach across all federal circuits and the decisions of state courts.[109]

V. THE NATURE OF THE FEDERAL CIRCUIT'S JURISPRUDENCE

This section will describe the nature of the Federal Circuit's licensing-law jurisprudence, primarily through the lens of its first sale cases, but also discussing cases that challenge licenses on preemption, misuse, and antitrust grounds. It will explore whether the Federal Circuit's jurisprudence is consistent with practices in other jurisdictions

106. *See* Appendix I, *infra* at 251.

107. Given the importance of licensing transactions in the information economy, it is safe to assume that the absolute number of licensing-law cases will continue to be significant and will most likely continue to rise.

108. *See generally* John Richards et al., Monsanto v. Scruggs: *The Scope of Downstream Licensing Restrictions*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1025 (2006) (discussing Lexmark's reliance on *Mallinckrodt* case).

109. If the Federal Circuit's jurisprudence is unfaithful to the intellectual property statutes or the cases that have construed them, then it goes without saying that the Federal Circuit's course should be corrected. If an adjustment needs to be made, then an adjustment should be made. If that happens, then other courts and the public will fall into line as they must and always do. My point is simply that any adjustment made should be made with full awareness of the broader implications. *See, e.g.*, Sean M. O'Connor, *Using Stock and Stock Options to Minimize Patent Royalty Payment Risks After* MedImmune v. Genentech, 3 N.Y.U. J. LAW & BUS. 381 (2007) (pointing out that the Supreme Court's *MedImmune* decision had significant negative unintended consequences for the university technology-transfer community's licensing practices).

and Supreme Court precedent, including the outcome of the recent Supreme Court case *Quanta Computer*.[110]

A. First Sale Cases

We begin with a discussion of the Federal Circuit's jurisprudence on patent exhaustion (also know as "first sale") because, as mentioned previously, this jurisprudence recently has attracted the attention of the United States Supreme Court.[111] This area is very significant because of parallels and overlaps with copyright's first sale doctrine. When software is involved, the code may be covered by both patents and copyrights, so the court must deal with patent and copyright first sale at the same time.

The Federal Circuit's first significant decision in this arena was *Mallinckrodt, Inc. v. Medipart, Inc.*[112] In that case, a manufacturer of medical equipment, Mallinckrodt, sold equipment labeled as "Single Use Only" to hospitals.[113] When hospitals contracted with a service company, Medipart, to refurbish the equipment for reuse, Mallinckrodt sued Medipart for patent infringement and inducement to infringe.[114] The District Court ruled that the "Single Use Only" designation on the package did not prevent the refurbishment or the hospital's further (i.e., second and subsequent) use under patent law.[115] The Federal Circuit reversed.[116]

The Federal Circuit held that patent exhaustion only occurs when the

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110. Quanta Computer, Inc., v. LG Elecs., Inc., 553 U.S. __, 128 S. Ct. 2109 (2008).

111. This area has also attracted the attention of commentators. *E.g.*, Mehdi Ansari, LG Elecs., Inc. v. Bizcom Elecs., Inc.: *Solving the Foundry Problem in the Semiconductor Industry*, 22 BERKELEY TECH. L.J. 137 (2007); John W. Osborn, *A Coherent View of Patent Exhaustion: A Standard Based on Patentable Distinctiveness*, 20 SANTA CLARA HIGH TECH. L.J. 643 (2004); William P. Skladony, *Commentary on Select Patent Exhaustion Principles in Light of the* LG Electronics *Cases*, 47 INTELLECTUAL PROP. L. REV. 235 (2006).

112. 976 F.2d 700 (Fed. Cir. 1992). For articles discussing the *Mallinckrodt* decision at the time, see James B. Koback, Jr., *Contracting Around Patent Exhaustion: Some Thoughts About the CAFC's Mallinckrodt Decision*, 75 J. PAT. & TRADEMAK OFF. SOC'Y 550 (1993) and Richard H. Stern, *The Unobserved Demise of the Exhaustion Doctrine in US Patent Law*, 15 EUR. INTELL. PROP. REV. 460 (1993). For a more recent article, see Mark R. Patterson, *Contractual Expansion of the Scope of Patent Infringement Through Field-of-Use Licensing*, 49 WM. & MARY L. REV. 157 (2007).

113. *Mallinckrodt*, 976 F.2d at 702.

114. *Id.*

115. *Mallinckrodt, Inc. v. Medipart, Inc.*,15 U.S.P.Q.2d 1113 (N.D. Ill. 1990).

116. *Mallinckrodt*, 976 F.2d at 709.

patentee makes an *unconditional* sale. By placing an express restriction on reuse, the patent holder could create a restricted license rather than an unconditional sale.[117] According to the Federal Circuit, "Unless the condition violates some other law or policy (in the patent field, notably the misuse or antitrust law, *e.g.*, *United States v. Univis Lens Co.*), private parties retain the freedom to contract concerning conditions of sale."[118]

The Federal Circuit elaborated upon *Mallinckrodt* five years later in *B. Braun Medical, Inc. v. Abbott Laboratories.*[119] In that case, the Federal Circuit explained:

> [A]n unconditional sale of a patented device exhausts the patentee's right to control the purchaser's use of the device thereafter. The theory behind this rule is that in such a transaction, the patentee has bargained for, and received, an amount equal to the full value of the goods. This exhaustion doctrine, however, does not apply to an expressly conditional sale or license. In such a transaction, it is more reasonable to infer that the parties negotiated a price that reflects only the value of the "use" rights conferred by the patentee. As a result, express conditions accompanying the sale or license of a patented product are generally upheld.[120]

The court reiterated, however, that "conditions that violate some law or equitable consideration are unenforceable."[121]

The Federal Circuit clarified, in *Hewlett-Packard Co. v. Repeat-O-Type Corp.*,[122] that not all manner of restrictions or conditions would turn transactions from first sales into conditional sales or licenses. At issue in *Repeat-O-Type* was a statement in the user instruction manual stating that users should "discard old print cartridge[s] immediately."[123] The court ruled that to be enforceable the condition or restriction must be explicit: "A seller's intent, *unless embodied in an enforceable contract*, does not create a limitation on the right of a purchaser to use, sell, or modify a patented product as long as a reconstruction of the

117. *Id.*

118. *Id.* at 708 (internal citations omitted); *see also id.* at 703.

119. 124 F.3d 1419, 1426–27 (Fed. Cir. 1997).

120. *Id.* at 1426 (internal citations omitted).

121. *Id.*

122. 123 F.3d 1445 (Fed. Cir. 1997).

123. *Id.* at 1447.

patented combination is avoided."[124] The court stated that this "noncontractual intention is simply the seller's hope or wish, rather than an enforceable restriction."[125]

A decade after *Mallinckrodt*, the Federal Circuit revisited the issue of patent exhaustion, this time in a context very different from medical devices or computer equipment. *Monsanto Co. v. McFarling*[126] and *Monsanto Co. v. Scruggs*[127] dealt with the licensing model for genetically modified seeds.[128] Monsanto licensed its biotechnology for "Round Up Ready" seeds to seed-distribution companies who then licensed the seeds to end-user growers.[129] This technology allows growers to use the pesticide "Round Up" for weed control without killing the genetically modified plants.[130] Monsanto's license allowed the seed distributors to incorporate Monsanto technology into the distributors' germ plasma, subject to certain conditions, including a condition that the seed distributors would not sell seed to growers unless the grower signed a Monsanto end-user license agreement.[131] The end-user license with growers included the following restrictions: the seed

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124. *Id.* at 1453 (emphasis added).

125. *Id.*; *see also* Jazz Photo Corp. v. ITC, 264 F.3d 1094, 1108 (Fed. Cir. 2001) (Newman, J.) (ruling in an action under Section 337 of the Tariff Act to stop the repurposing of "single use" cameras, that package instructions were not in the form of an enforceable contractual agreement, so therefore the "single use" condition was not enforceable).

126. 363 F.3d 1336 (Fed. Cir. 2004).

127. 459 F.3d 1328 (Fed. Cir. 2006).

128. First sale legal issues aside, the *Monsanto* line of cases raises interesting, challenging, and controversial ethical issues about food and agricultural policy. These issues, though important, are outside the scope of this article. My analysis focuses solely on Monsanto's general right to use licensing for its business-model innovation, not on Monsanto's business objective in using its licensing scheme. For commentary on the latter, see Peter Carstensen, *Post-Sale Restraints Via Patent Licensing: A "Seedcentric" Perspective*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1053 (2006); Richards et al., *supra* note 108; Jason Savich, Monsanto v. Scruggs: *The Negative Impact of Patent Exhaustion on Self-Replicating Technology*, 22 BERKELEY TECH. L.J. 115 (2007); *The End of Cheap Food*, THE ECONOMIST, Dec. 8, 2007, at 11. See also a news article by Kristi Heim, *Agricultural Aid a Hard Sell*, SEATTLE TIMES, Jan. 20, 2008, at B1, which reports concerns that the Gates Foundation's new agricultural aid initiatives will be too technology- and market-oriented, including concerns about use of genetically modified crops. Heim also reports that according to a farmer from Common Ground Farmers, a farming NGO, farmers share local seeds with other farmers and cannot afford to buy seeds, let alone more expensive transgenic varieties that often require fertilizer and pesticide. *Id.* She quotes the farmer as saying, "People do not know the hidden agenda behind it . . . that once [farmers] get the high-yielding seed, they have to keep buying it. Once you get in the system, then getting out becomes difficult." *Id.*

129. *Scruggs*, 459 F.3d at 1333.

130. *Id.*

131. *Id.*

could be used only for planting a single crop; no transfer of seed for re-planting; prohibition on research or experimentation; and payment of a technology fee.[132]

Scruggs, a grower, argued that he was not bound by any of the license conditions under the doctrine of patent exhaustion.[133] The Federal Circuit disagreed, reasoning that "[t]here was no unrestricted sale because the use of the seeds by seed growers was conditioned on obtaining a license from Monsanto."[134] Moreover, as to the second generation of seeds, there was no "sale" by Monsanto (or the seed distributor for that matter) at all, so there was no "first sale" under patent law.[135]

Shortly after the *Scruggs* decision, the Federal Circuit again took up the issue of patent exhaustion in *LG Electronics, Inc. v. Bizcom Electronics, Inc.*[136] In that case, LG Electronics licensed certain patents to Intel.[137] LG Electronics' license with Intel contained a provision prohibiting use of LG Electronics' patents with non-Intel devices.[138] Further, Intel was required to notify its customers of the prohibition in any agreements that Intel created with its customers.[139] Intel then sold chipsets covered by the patents to PC manufacturers.[140] Intel provided notice of its LG Electronics license limitation to the PC manufacturers.[141]

When some of Intel's customers failed to obtain the appropriate patent rights from LG Electronics, LG Electronics sued for patent infringement. The defendants argued that LG Electronics' patent rights were exhausted because they bought the chipsets from Intel in an unconditional sale.[142] The Federal Circuit disagreed. It held that the sale was conditional because Intel was limited by its license with LG Electronics as to how Intel could pass on patent rights to Intel's chipsets,

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132. *Id.* at 1333.

133. As explained *infra* at Part V.B.2, the *McFarling* case did not squarely address the first sale issue.

134. *Scruggs*, 459 F.3d at 1336.

135. *Id.*

136. 453 F.3d 1364 (Fed. Cir. 2006).

137. *Id.* at 1368.

138. *Id.*

139. *Id.*

140. *Id.*

141. *Id.*

142. *Id.* at 1369–70.

and because Intel provided notice to its consumers of the limitation.[143] Because the sale was conditional, the patent rights of LG Electronics were not exhausted.[144] Thus, LG Electronics had the right to assert its patents against unlicensed "downstream" uses.

B. Analysis of the Federal Circuit's First Sale Jurisprudence: Comparison to Supreme Court Precedent

The U.S. Supreme Court's recent decision in *Quanta Computer*, reviewing the Federal Circuit's ruling in *LG Electronics, Inc. v. Bizcom Electonics, Inc.*, reveals what the Supreme Court thinks about the Federal Circuit's entire line of first sale cases. The Federal Circuit's *Mallinckrodt* line of cases was clearly in jeopardy in *Quanta Computer*. The Supreme Court presumably took the case because the U.S. Solicitor General's office argued that from *Mallinckrodt* to *LG Electronics*, the Federal Circuit had moved licensing law in a direction contrary to good public policy. As discussed below, the Supreme Court, in effect, largely accepted the Federal Circuit's core approach from the *Mallinckrodt* line of cases, even while unanimously overturning *LG Electronics* on other grounds. In other words, this particular reversal fundamentally amounts to an affirmation: the Federal Circuit lost the battle but won the war.

1. From Mallinckrodt *to* Monsanto

The comparison begins with the Federal Circuit's foundational case on first sales versus conditional sales, *Mallinckrodt*.[145] The first question to ask is: Did the Federal Circuit ignore the Supreme Court's case law? It would be hard to argue that it did. Judge Newman's opinion[146] cites more than twenty Supreme Court cases[147] and discusses or quotes several of them, including two of the most important cases in this area,

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143. *Id.* at 1370.

144. *Id.*

145. According to the Brief of the United States as amicus curiae on the petition for writ of certiorari in *Quanta Computer*, "The foundation of the Federal Circuit's approach to the first sale doctrine is *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (1992)." Brief of the United States as Amicus Curiae at 14, Quanta Computer, Inc. v. LG Elecs., Inc., 553 U.S. __ (2008) (No. 06-937).

146. Judge Newman also wrote the opinion in the *Jazz Photo* case in which the court ruled that "single use" package instructions were not sufficient to form an enforceable contract. *See supra* note 125. She was also on the panel that decided *LG Electronics, Inc. v. Bizcom Electronics, Inc.*, discussed *supra* at note 136.

147. *See generally* Mallinckrodt, Inc. v. Medipart, Inc., 976 F.2d 700 (Fed. Cir. 1992).

Motion Picture Patents Co. v. Universal Film Manufacturing Co.[148] and *General Talking Pictures Corp. v. Western Electric Co.*[149] Indeed, the opening paragraphs of *Mallinckrodt* address the district court's ruling in relation to *General Talking Pictures*:

> [T]he district court held that no restriction whatsoever could be imposed under the patent law, whether or not the restriction was enforceable under some other law, and whether or not this was a first sale to the purchaser without notice. This ruling is incorrect, for if Mallinckrodt's restriction was a valid condition of the sale, then in accordance with *General Talking Pictures Corp. v. Western Electric Co.*, it was not excluded from enforcement under the patent law.[150]

If the court in *Mallinckrodt* did not ignore Supreme Court precedent, then the next question is: Did the Federal Circuit misconstrue the precedent? In *Mallinckrodt*, the Federal Circuit was reviewing the district court's ruling on a motion for summary judgment.[151] As such, the Federal Circuit had to make a key factual assumption: that the "single use only" condition was legally sufficient.[152] According to the court, "The movant MediPart did not dispute actual notice of the restriction. Thus we do not decide whether the form of the restriction met the legal requirements of notice or sufficed as a 'label license.'"[153] The court then stated, "On this motion for summary judgment, there was no issue of whether this form of license gave notice of the restriction. Notice was not disputed."[154]

Thus the narrow issue decided by the court in *Mallinckrodt* was whether a patent holder could create an enforceable (via patent law) restricted license or conditional sale. Not that the patent holder did, but that it could.[155] The court reasoned that Mallinckrodt could create a

148. 243 U.S. 502 (1917).

149. 304 U.S. 175 (1938).

150. 976 F.2d at 701 (internal citations omitted).

151. *Id.* ("On review of these issues *in the posture in which the case reaches us* . . . ." (emphasis added)).

152. *Id.*

153. *Id.*

154. *Id.* at 703.

155. *See* B. Braun Med., Inc. v. Abbott Labs., 124 F.3d 1419, 1426 (Fed. Cir. 1997) ("Because the district court improperly instructed the jury that it must find Braun guilty of patent misuse if Braun placed *any* use restrictions on its sales of the SafSite® valves . . . we remand the case for further proceedings.").

restrictive license because a patent gives the patentee the right to exclude "use" of an invention,[156] and this right can be waived in whole or in part (i.e., conditioned or restricted).[157]

For support, the court cited several Supreme Court cases that approved of conditional sales or restrictive licenses, including *General Talking Pictures* and *American Cotton-Tie Co. v. Simmons*,[158] a case that involved a "[l]icensed to use once only" notice that had been stamped on metal ties for cotton bales.[159] The Federal Circuit quoted liberally from *General Talking Pictures*, in which the Supreme Court said:

> That a restrictive license is legal seems clear. . . . [T]he patentee may grant a license "upon any condition the performance of which is reasonably within the reward which the patentee by the grant of patent is entitled to secure." . . . The practice of granting licenses for a restricted use is an old one. So far as appears, its legality has never been questioned.[160]

Summing up the Supreme Court's case law in this area, the Federal Circuit observed: "Viewing the entire group of these early [Supreme Court] cases, it appears that the Court simply applied, to a variety of factual situations, the rule of contract law that sale may be conditioned."[161] And if condition or restriction is within the scope of the patent grant, such as a patentee's right to exclude use of the patented invention, "then violation of the restriction may be remedied by action for patent infringement."[162]

But is this a fair assessment of Supreme Court precedent? One case that the *Mallinckrodt* opinion cites but does not discuss extensively is *United States v. Univis Lens Co.*,[163] a case decided by the Supreme Court four years after *General Talking Pictures* and cited extensively by the Supreme Court in *Quanta Computer*. Some consider the *Univis Lens*

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156. 35 U.S.C. § 154 (2000).

157. The Federal Circuit cited the Supreme Court's opinion in *E. Bement & Sons v. National Harrow Co.*, 186 U.S. 70, 91 (1902) for the proposition that "[a]s in other areas of commerce, private parties may contract as they choose, provided no law is violated thereby." *Mallinckrodt*, 976 F.2d at 703 (Fed. Cir. 1992).

158. 106 U.S. 89 (1882).

159. *Id.* at 91. The Court also discussed the limited license in *Providence Rubber Co. v. Goodyear*, 76 U.S. (9 Wall.) 788 (1869).

160. 305 U.S. 124, 127 (1938) (internal citations omitted).

161. *Mallinckrodt*, 976 F.3d at 708.

162. *Id.* at 709.

163. 316 U.S. 241 (1942).

case to be the Supreme Court's last and definitive word on patent exhaustion.[164] Did the Federal Circuit give *Univis Lens* its due, or did it misperceive its importance?[165] The best interpretation of the *General Talking Pictures* and *Univis Lens* cases, when read in context, supports the Federal Circuit's treatment of the latter case.

General Talking Pictures and the cases that it cites establish the following framework for a patentee's ability to control use of a patented product: The patentee may make an unconditional sale of a product under its patent. If the patentee does so, its rights under the patent are exhausted and the user is free to use the product without further interference by the patent holder. Alternatively, the patentee can make a sale or license that conditions or restricts usage. If the patentee does so, the person who received a product under the patent may use the product only as conditioned or limited by the patentee. If the recipient uses the product in another way, he or she infringes the patent.

However, a patentee's ability to enforce restrictions or conditions on use is not absolute. First, it must be done in an enforceable contract. Second, the restriction or condition must be within the scope of the patent's exclusive rights. Third, restrictions or conditions are subject to other laws, such as antitrust law and the doctrine of patent misuse. If a patentee's contractual condition or restriction is outside the enumerated exclusive rights granted by a patent or violates some other law,[166] then use of the product contrary to the condition or restriction does not infringe the patent.

With this framework in mind, *General Talking Pictures* and *Univis Lens* fit neatly together. *General Talking Pictures* is fundamentally a patent-infringement case. In that case, both a manufacturer and user ignored the license restrictions imposed by the patentee.[167] Consequently, the Supreme Court found that the manufacturer and user infringed the patent by doing so.[168]

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164. *See* Brief of the United States as Amicus Curiae at 6, Quanta Computer, Inc. v. LG Elecs., Inc., 553 U.S. __ (2008) (No. 06-937) (characterizing *Univis Lens* as the last Supreme Court case that "squarely addressed" the patent exhaustion doctrine).

165. Perhaps there is general confusion about the significance of the *Univis Lens* case. *See generally* John W. Osborne, *A Coherent View of Patent Exhaustion: A Standard Based on Patentable Distinctiveness*, 20 SANTA CLARA COMPUTER & HIGH TECH. L.J. 643, 643 (2004) ("Sixty-two years later, *Univis Lens* is still misinterpreted.").

166. *See* B. Braun Med., Inc. v. Abbott Labs., 124 F.3d 1419, 1426 (Fed. Cir. 1997).

167. *See General Talking Pictures*, 305 U.S. at 126.

168. Note that Justice Black's dissent, *id.* at 128–33, echoes many of the objections voiced by petitioner and the United States as amicus curiae in *LG Electronics*.

Univis Lens, on the other hand, is fundamentally an antitrust case. In *Univis Lens*, the patentee was using a license condition to enforce resale price maintenance.[169] In other words, the patentee was using license restrictions in violation of antitrust law. The Court in *Univis Lens* barely mentioned *General Talking Pictures*, presumably because there was little need to cite it in the context of antitrust. Justice Stone's opinion instead, and appropriately so, focused repeatedly on the "price-fixing features" of the licensing scheme, which the Court ruled were in violation of the Sherman Act.[170] In other words, *Univis Lens* does not overrule or even refine the rule in *General Talking Pictures*—it simply applied it.

2. *The* Monsanto *Cases*

This brings us to the more recent Federal Circuit decisions in *Monsanto Co. v. McFarling*[171] and *Monsanto Co. v. Scruggs*.[172] What have these cases added, if anything, to the *Mallinckrodt* decision on the issue of patent exhaustion? The *McFarling* case adds little to *Mallinckrodt*.[173] The primary issue in *McFarling* was the enforceability of a condition in Monsanto's end-user (grower) Technology Agreement that restricted use of seeds incorporating Monsanto's Roundup Ready technology to "a single season" and prohibited the grower from saving for replanting any second-generation seed produced by the first.[174] McFarling argued that this restriction constituted patent misuse because Monsanto had impermissibly tied an unpatented product to a patented one.[175] The Federal Circuit acknowledged that "[t]ying can constitute patent misuse" but stated that "McFarling does not raise a typical tying allegation, and the mere recitation of the word 'tying' is not sufficient to

169. *See* 316 U.S. 241, 253 (1941).

170. *See id.* at 243–54.

171. 363 F.3d 1336 (Fed. Cir. 2004). The Federal Circuit also ruled on other aspects of the dispute between Monsanto and McFarling. *See* Monsanto Co. v. McFarling, 488 F.3d 973, 978 (Fed. Cir. 2007) (remedies); Monsanto Co. v. McFarling, 302 F.3d 1291, 1294 (Fed. Cir. 2002) (forum selection).

172. Monsanto Co. v. Scruggs, 459 F.3d 1328 (Fed. Cir. 2006).

173. McFarling had signed the Technology Agreement so, as in *Mallinckrodt*, the validity of the license restriction was not challenged on that basis. *See* Monsanto Co. v. McFarling, 363 F.3d 1336, 1338 (Fed. Cir. 2004).

174. *See id.* at 1339.

175. *Id.* at 1341.

state a patent misuse defense."[176]

The court then went on to assess what it considered the unique feature of the case: "the Technology Agreement does not impose a restriction on the use of the product purchased under the license but rather imposes a restriction on the use of the goods made by the licensed product."[177] In other words, the license restriction applied to the second-generation seed that resulted from the crops produced from the first-generation seed. The key question, according to the court, was whether this restriction reached "beyond the scope of the patent grant"?[178] If it did, it could (at least potentially) constitute a misuse of Monsanto's patent. The answer to the question was: "Because the '435 patent would read on all generations of soybeans produced, we hold that the restrictions in the Technology Agreement prohibiting the replanting of the second generation of ROUNDUP READY® soybeans do not extend Monsanto's rights under the patent statute."[179]

The *McFarling* decision broke no new ground on the rules applicable to assessing a license restriction. If the court had found Monsanto's restriction to be an illegal tying arrangement or beyond the scope of the patent, then it would have refused to enforce the restriction. Like the Supreme Court in *Univis Lens*, the Federal Circuit in *McFarling* reached its conclusion simply by applying the framework articulated by the Supreme Court in *General Talking Pictures*.

The *Scruggs* case presents facts similar to *McFarling*. In *Scruggs,* the grower had not signed Monsanto's Technology Agreement,[180] but it was undisputed that Monsanto required all seed companies to place a notice on all bags of seeds stating that the seeds were "covered by U.S. Patents, that their purchase of the seeds convey[ed] no license, and that a license from Monsanto must be obtained before using the seeds."[181] However, unlike the *McFarling* case which focused on the grower's patent-misuse defense, the *Scruggs* case also focused on first sale and implied-license defenses.[182]

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176. *Id.* at 1341–42.

177. *Id.* at 1342–43.

178. *Id.* at 1343.

179. *Id.*

180. *See* Monsanto Co. v. Scruggs, 459 F.3d 1328, 1333 (Fed. Cir. 2006).

181. *Id.* at 1336.

182. It appears that McFarling raised patent exhaustion as a defense in his answer, but the Federal Circuit did not address the issue in its opinion. Presumably, it was not argued in the district court or raised on appeal. *See McFarling*, 363 F.3d at 1340 (mentioning that McFarling raised patent

The Federal Circuit rejected Scruggs' first sale defense.[183] According to the court, patent exhaustion did not apply for two reasons. First, there was "no unrestricted sale" because the use of the seeds "was conditioned on obtaining a license from Monsanto."[184] Second, because:

> [T]he new seeds grown from the original batch had never been sold. Without the actual sale of the second generation of seed to Scruggs, there can be no patent exhaustion. The fact that a patented technology can replicate itself does not give a purchaser the right to use replicated copies of the technology. Applying the first sale doctrine to subsequent generations of self-replicating technology would eviscerate the rights of the patent holder.[185]

Does the *Scruggs* decision break new ground on the law of patent exhaustion and first sale? *Scruggs* seems to line up well with the facts in *General Talking Pictures*. In *General Talking Pictures*, a patentee licensed an amplifier manufacturer to manufacture and sell amps for non-commercial uses.[186] A commercial end user purchased the amps from the manufacturer "knowing that [the manufacturer] had not been licensed."[187] Under these facts, the Supreme Court ruled that "the restriction was legal and the amplifiers were made and sold outside the scope of the license."[188] According to the Court:

> [The effect of this for the end user was] precisely the same as if no license whatsoever had been granted to [the manufacturer]. And as the [end user] knew the facts, it is in no better position than if it had manufactured the amplifiers itself without a license. It is liable because it has used the invention without a license to do so.[189]

Likewise, in *Scruggs*, a patentee licensed a seed manufacturer to manufacture and sell seeds for single crop usage.[190] A commercial end-

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exhaustion and first sale as defenses in his answer).

183. *Scruggs*, 459 F.3d at 1335–36. The court also rejected Scruggs' implied-license, misuse, and antitrust defenses. *See id.* at 1336, 1339–41. Judge Dyk dissented on the antitrust issue but not the first sale issue. *See id.* at 1342 (Dyk, J., concurring in part and dissenting in part).

184. *Id.* at 1336.

185. *Id.* (internal markings omitted).

186. General Talking Pictures Corp. v. Western Elec. Co., 305 U.S. 124, 125–26 (1938).

187. *Id.* at 126.

188. *Id.* at 127.

189. *Id.*

190. 459 F.3d at 1333.

user grower purchased the seeds from the manufacturer knowing that they were licensed only for a single crop. The Federal Circuit held that the license condition was legal (because it was within the scope of the patent) and that the grower's use of seeds was outside the scope of the license.[191] The Federal Circuit, like the Supreme Court in *General Talking Pictures*, ruled that the grower was therefore liable for patent infringement because the grower had used an invention without a valid license to do so (from either the manufacturer or Monsanto).[192]

One interesting difference between the *Scruggs* and *General Talking Pictures* cases is the nature of the technology. In *Scruggs*, the technology was a seed that replicated itself—obviously the amps in *General Talking Pictures* did not present the possibility of self-replication. This fact, however, did not change the law that the Federal Circuit applied. It simply presented a unique, modern, and challenging factual setting in which to apply the law. Indeed, because of the unique Monsanto technology involved, the grower who produced the new seed was, to some degree, a manufacturer as well as a user, so to this extent the soybean grower in the *Scruggs* case was more culpable[193] (from a patent-infringement point of view)[194] than the movie-theater operator in *General Talking Pictures*.

3. *The Latest:* Quanta Computer, Inc. v. LG Electronics, Inc.

i. *The Federal Circuit's Decision*

This history brings us to *Quanta Computer*—the Federal Circuit decision that caught the Supreme Court's eye.[195] *Quanta Computer* challenged the Federal Circuit to apply its first sale jurisprudence to a complex, modern business setting. The case illustrates one of the multi-tiered licensing models that have emerged in the computer industry.

Like many large computer-technology firms, LG Electronics has entered into patent portfolio cross licenses with other computer-technology firms such as Intel, one of the parties in the case. Such cross

191. *See id.* at 1334–38. Unlike *General Talking Pictures*, however, the patentee did not sue the manufacturer. *Id.* at 1333 (patentee suing the grower).

192. 459 F.3d at 1336.

193. More culpable because the grower infringed both the "use" and the "make" rights.

194. I recognize that some believe that there are higher moral imperatives at stake when it comes to reuse of seeds.

195. The case was called *LG Electronics, Inc. v. Bizcom Electronics, Inc.* at the circuit-court level. 453 F.3d 1364 (Fed. Cir. 2006).

licenses generally vary in scope. A given cross license may exclude certain technology or limit the ability of the licensee to use the cross license to shield its downstream customers or partners from patent claims. Often the scope of the license comes down to money. In the case of downstream shielding, the licensee must assess whether it makes business sense to pay on behalf of its customers in the cross license (and presumably pass on such cost in its purchase price) or let the customers pay for the patent rights on their own. These downstream customers and partners are a diverse bunch.[196] They include software companies (e.g., Microsoft), personal computer sellers (e.g., Dell),[197] companies that assemble computers, and end users.

LG Electronics has patents that cover two different types of technology: microprocessors[198] and computer systems.[199] In its patent portfolio license with Intel, LG Electronics "granted Intel a license covering its entire portfolio of patents on computer systems and components."[200] Intel acquired the right to sell its microprocessors downstream under LG Electronics' patents with one important exception: the license expressly disclaimed granting "a license allowing computer system manufacturers to combine Intel's licensed parts with other non-Intel components."[201]

This exception is good news for computer-system manufacturers who have a patent portfolio cross license with LG Electronics. These companies already paid for the patent rights. They do not want to pay again as part of the price of Intel's microprocessors. For those manufacturers who do not have such a license, however, Intel cannot serve as a "reseller" of LG Electronics' patent rights. These manufacturers must purchase their patent rights directly from the patentee, LG Electronics.[202]

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196. As described *supra* at Part I.A, many firms team up in the computer industry to create the product that we call a personal computer.

197. The court in *LG Electronics* refers to computer sellers as "OEMs" which stands for "original equipment manufacturer." 453 F.3d at 1371. The term "OEM" was created at a time when companies like Compaq and Digital Equipment Corp. actually assembled computers. As the computer industry has evolved, many of these OEMs have subcontracted or outsourced assembly to companies that do this work at a lower cost. Thus, the term "original equipment manufacturer" now is often a misnomer.

198. A microprocessor is a *component* of a computer system.

199. *See LG Elecs.*, 453 F.3d at 1368, 1373.

200. *Id.* at 1370.

201. *Id.*

202. Or, the manufacturer could acquire microprocessors from a company that has acquired the

The Federal Circuit applied the *Mallinckrodt* precedent to this complex licensing arrangement.[203] In doing do, its ruling seems consistent with *Mallinckrodt*, *Scruggs*, and the Supreme Court's decision in *General Talking Pictures*. LG Electronics had granted an expressly conditional license to Intel. LG Electronics required Intel to notify its customers of the condition and Intel did so. Thus, when Intel's customers created computer systems that infringed LG Electronics' patents, the customers were not shielded by Intel's portfolio license with LG Electronics, and so they were infringing LG Electronics' patents.[204]

ii. The Supreme Court's Decision

The U.S. Solicitor General urged the Supreme Court to review the Federal Circuit's decision.[205] The Solicitor General and several amici briefs argued that the Supreme Court should use the case to overturn *Mallinckrodt* and the entire line of Federal Circuit cases that rested upon it.[206] The Supreme Court took the case and reversed the Federal Circuit in a unanimous decision, but did not overrule *Mallinckrodt*.

In an opinion by Justice Thomas, the Supreme Court first turned to the argument that the patent-exhaustion doctrine does not apply to patent-method claims. The Court rejected that argument: "Nothing in this Court's approach to patent exhaustion supports LGE's argument that method patents cannot be exhausted."[207] The Court observed that excluding method claims would create an incentive for clever attorneys to simply cast claims as method claims in hopes of avoiding the exhaustion doctrine. "We therefore reject LGE's argument that method claims, as a category, are never exhaustible."[208]

The Court then addressed the issue of whether a product must embody a patent in order to trigger exhaustion. The Court observed that "the traditional bar on patent restrictions following the sale of an item

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right from LG Electronics to shield the manufacturer's downstream customers.

203. *LG Elecs.*, 453 F.3d at 1370.

204. "[T]his conditional agreement required Intel to notify its customers of the limited scope of the license, which it did." *Id.*

205. *See* Brief of the United States as Amicus Curiae, Quanta Computer, Inc. v. LG Elecs., Inc., 553 U.S. __ (2008) (No. 06-937).

206. *See id.* at 14–20; Brief Amicus Curiae of Consumers Union et al., at 2–4, 21, *Quanta Computer*, 553 U.S. __, 128 S. Ct. 2109; Brief Amicus Curiae of Automotive Engine Rebuilders Ass'n et al., at 21–25, *Quanta Computer*, 553 U.S. __, 128 S. Ct. 2109.

207. *Quanta Computer*, 553 U.S. __, 128 S. Ct. at 2117.

208. *Id.*

applies when the item sufficiently embodies the patent—even if it does not completely practice the patent—such that its only and intended use is to be finished under the terms of the patent."[209] "Here, LGE has suggested no reasonable use for the Intel Products other than incorporating them into computer systems that practice the LGE Patents."[210] All that the computer assembler had to do to infringe the patent was to assemble the computer, following Intel's specific instructions. Thus,

> [e]verything inventive about each patent is embodied in Intel Products. . . . Quanta was not required to make any creative or inventive decision when it added those parts. Indeed, Quanta had no alternative . . . because it did not know their internal structure, which Intel guards as a trade secret.[211]

Finally, the Court considered whether Intel's sale of chipsets to Quanta exhausted LG Electronics' patents. The Court acknowledged, citing *General Talking Pictures v. Western Electric*,[212] that exhaustion does not apply where a sale is unauthorized. Here the Court found that Intel's sale was authorized, citing "the structure of the Intel-LGE transaction."[213] It pointed to language in the LGE–Intel license that granted Intel broad rights to make, use, sell (directly or indirectly), offer to sell, import or otherwise dispose of products, free from LG Electronics' patent claims. The license agreement also purported not to "in any way limit or alter the effect of patent exhaustion that would otherwise apply."[214] The Court acknowledged that the parties had agreed, in a separate license, that Intel would give notice to Intel's customers that they were not licensed to practice LG Electronics patents in Intel/non-Intel combinations (and had given that notice to Quanta), but it found that "Intel's authority to sell its products embodying the LGE Patents was not conditioned on the notice or on Quanta's decision to abide by LGE's directions in that notice."[215] If anything, the Court indicated, LG Electronics might have a claim for breach of contract. But LG Electronics did not plead such claim, so the Court did not address

209. *Id.*

210. *Id.* at 2119.

211. *Id.* at 2120.

212. 304 U.S. 175 (1938).

213. *Quanta*, 553 U.S. __, 128 S. Ct. at 2121.

214. *Id.* at 2114.

215. *Id.* at 2122.

that issue.[216]

At one level, the *Quanta Computer* case seems like all the other recent patent-related challenges to and reversals of the Federal Circuit's jurisprudence by the Supreme Court.[217] The Supreme Court emphatically rejected the Federal Circuit's notion that patent-method claims can never be exhausted and clarified the extent to which a product must embody a patent to trigger a first sale.[218] On closer inspection, however, the Supreme Court's reversal in *Quanta Computer* really amounts to an affirmation of the Federal Circuit's basic approach to patent exhaustion in the *Mallinckrodt* line of cases.

The fundamental issue from a first sale standpoint was whether LG Electronics' license had authorized Intel's sales to PC assemblers (such as Quanta). As explained by the Court: "Exhaustion is triggered *only* by a sale *authorized* by the patent holder."[219] The Court found that, indeed, LG Electronics' license had authorized Intel's sales "because the license authorizes the sale of components that substantially embody the patents in suit, the sale exhausted the patents."[220]

LG Electronics argued that the license had placed conditions on Intel's right to sell. If it had, then Intel's sale to Quanta might not have been authorized. However, the Supreme Court found no persuasive evidence of binding conditions: "No conditions limited Intel's authority to sell products substantially embodying the patents."[221]

Notably, the Supreme Court did not overrule *Mallinckrodt* even though it was strongly urged to do so by the U.S. Solicitor General and others. It did not criticize (or even mention) the Federal Circuit's first sale jurisprudence that flows from *Mallinckrodt*. It did not overrule (or even question) its *General Talking Pictures* precedent on which *Mallinckrodt* is based—the Court pointed out that unlike the license at

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216. *See id.* at 2122 n.7.

217. *See generally* Greg A. McAllister, Quanta Computer v. LG Electronics: *The Supreme Court Applies Its Patent Exhaustion Precedent and Rejects Recent Federal Circuit Modifications to the Doctrine*, CASRIP NEWSL. (Ctr. for Advanced Study & Research on Intellectual Prop., Seattle, Wash.), Summer 2008, http://www.law.washington.edu/casrip/newsletter/vol15/newsv15i2QuantaLG.html, *permanent copy available at* http://www.law.washington.edu/wlr/notes/84washlrev199n217.pdf.

218. *Quanta*, 553 U.S. __, 128 S. Ct. at 2117–21.

219. *Id.* at 2121 (emphasis added).

220. *Id.* at 2113. "Intel's authorized sale to Quanta thus took its products outside the scope of the patent monopoly, and as a result, LGE can no longer assert its patent rights against Quanta." *Id.* at 2122.

221. *Id.* at 2122.

issue in *General Talking Pictures*, LG Electronics' license did not place conditions on Intel's sales.[222] The Supreme Court's basis for reversal came down to something quite simple: the Federal Circuit found, in its reading of the license agreements, conditions on Intel's ability to sell; and the Supreme Court, in its reading, did not. This decision is not the grand, course-altering ruling that many had asked for. Instead, by its approach, the *Quanta Computer* decision quietly affirmed *Mallinckrodt* and its progeny.[223]

The fundamental teaching of *Mallinckrodt* (drawing on earlier Supreme Court precedent) is that an intellectual property holder may place conditions on a license or sale. That remains the law after *Quanta Computer*.[224] Justice Thomas' opinion for the Court spent considerable time examining the details of the LG–Intel transactions to see if any conditions existed.[225] This made sense because the presence or absence of license conditions makes all the difference in whether a downstream sale is authorized or not. Finding no conditions, it was easy for the Court to rule that the license authorized Intel's sale, and it therefore exhausted LG Electronics' patents.

C. *Analysis of the Federal Circuit's First Sale Jurisprudence: Comparison to Other United States Circuit Courts*

This section compares the Federal Circuit's first sale jurisprudence with the jurisprudence of other courts, particularly other federal circuit courts. This analysis includes copyright first sale cases as well as patent-exhaustion cases. Copyrights and patents are very different types of

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222. *See id.*

223. *But see* McAllister, *supra* note 217, at Part I ("The case overturns the Federal Circuit's patent exhaustion jurisprudence, under which patent rights were exhausted only by unconditional sales . . . ."). Mr. McAllister's conclusion does not seem supported by the Court's reasoning in *Quanta Computer*. Justice Thomas's opinion did not announce a new "rule" about first sale, and he did not renounce the Federal Circuit's approach. Instead, the Supreme Court paid special attention to whether the parties had placed conditions on Intel's sales (and ultimately found that they had not, at least none that were binding). Moreover, as to the characterization that *Quanta Computer* creates a new "rule," the Supreme Court has been particularly averse to establishing rigid rules in patent-related cases. *See, e.g.*, KSR Int'l Co. v. Teleflex, Inc., 550 U.S. 398, 415 (2007) ("We begin by rejecting the rigid approach of the Court of Appeals."); *see also* eBay, Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006).

224. *See* Harold C. Wegner, *Post-*Quanta*, Post-Sale Patentee Controls*, 7 J. MARSHALL REV. INTELL. PROP. L. 682, 694–95 (2008) (arguing that the Supreme Court overruled *B. Braun* sub silentio but did not overrule *Mallinckrodt*).

225. *Quanta*, 533 U.S. __, 128 S. Ct. at 2121–22.

intellectual property to be sure, and there may be occasions when their differences justify different treatment of the use of contracts to commercialize intellectual property.[226] However, the first sale doctrines are closely related and raise many of the same policy issues. Courts, including the Supreme Court, have on many occasions drawn on precedents from one type of intellectual property to decide cases in the other.[227]

1. Patent Exhaustion

The Federal Circuit has decided most of the patent-exhaustion cases, but the Ninth Circuit recently examined a post-sale restriction on printer cartridges in *Arizona Cartridge Remanufacturers Ass'n v. Lexmark International Inc.*[228] The procedural posture of this case was atypical,[229] but the court ruled directly that Lexmark could, as a matter of law, enforce a post-sale restriction on reuse of printer cartridges. Applying California contract law[230] the court held:

> [T]he contract on its face appears to be enforceable based on the district court's findings that consumers (1) have notice of the condition, (2) have a chance to reject the contract on that basis, and (3) receive consideration in the form of a reduced price in exchange for the limits placed on the reuse of the cartridge.[231]

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226. *See* Patterson, *supra* note 112, at 160–61.

227. *See, e.g.*, Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984) (using patent law's staple article in commerce doctrine to decide copyright contributory infringement case); *see also* cases cited *supra*, note 99.

228. 421 F.3d 981 (9th Cir. 2005).

229. The enforceability of the contract was raised in the context of a consumer-protection violation: the plaintiff alleged that Lexmark's assertion that it could enforce a post-sale restriction was wrong as a matter of law, and was therefore an unfair and deceptive practice. *Id.* at 985. To resolve the consumer-protection issue, the Ninth Circuit had to decide the issue of contract enforceability. *Id.* at 986–88.

230. The district court had relied extensively on *Mallinckrodt*, but the Ninth Circuit went back to first principles and relied on California contract law. *See id.* at 986–88. The Electronic Frontier Foundation urged the Ninth Circuit to use the *Arizona Cartridge* case as a vehicle to reject the *Mallinckrodt* case, but the court did not take the bait, saying that the plaintiff did not raise the argument on appeal and had conceded in its brief that "the otherwise unfettered use of a patented good can be constrained." *Id.* at 987.

231. *Id.* at 988. Unlike many other patent first sale cases, the court did not need to examine whether Lexmark was acting beyond the scope of its patent. The plaintiff had not raised the argument on appeal and had conceded in its brief that "the otherwise unfettered use of a patented good can be constrained." *Id.* at 987.

2. *Copyright First Sale*

Many of the early copyright-related cases challenging post-sale conditions on use[232] came out of the software industry. In these cases, the software user challenged conditions on use of the software,[233] arguing that he or she had acquired the software as a first sale under the Copyright Act and, as such, the license conditions were preempted by Section 301 of the Copyright Act and could be ignored.[234] One of the first cases to address the issue of potential Copyright Act preemption[235] of software end-user licenses was *National Car Rental System, Inc. v. Computer Associates International, Inc.*[236] In *National Car Rental*, the

232. Conditions on "use" must be analyzed differently in the context of licenses of various types of intellectual property. In patent law, the right to control "use" is one of the exclusive rights of the patent holder. 35 U.S.C. § 154(a)(1) (2006) (discussing patentee's right to exclude others from making, using, or offering the patented invention for sale). In trademark and trade secret licensing, setting parameters on use of a trademark or trade secret is the very essence of the license grant. In copyright law, the right to control "use" is not one of the exclusive rights of the copyright holder (copyrights include the exclusive right to copy, distribute, create derivative works, and publicly perform or display under 17 U.S.C. § 106). However, in a copyright license, a license grant describing permissible uses sometimes implicates one of the exclusive rights, such as the right to copy or create derivative works. Other times, however, a grant controlling "use" means simply that. In the latter case, if the licensee's use exceeds the scope of use granted, then the cause of action is for breach of contract rather than a copyright infringement. *See* Nat'l Car Rental Sys., Inc. v. Computer Assoc. Int'l, Inc., 991 F.2d 426, 427 (8th Cir. 1993) (addressing a state-law breach-of-contract claim alleging that the licensee of computer software exceeded limitations on the use of computer software contained in the license agreements).

233. Many cases were also decided on contract-formation grounds. Courts across circuits and state courts have applied modern contract-formation rules, finding an enforceable contract in some cases but not others. *See, e.g.*, Specht v. Netscape Commc'ns Corp., 306 F.3d 17 (2d Cir. 2002); Arizona Retail Sys., Inc. v. Software Link, Inc., 831 F. Supp. 759 (D. Ariz. 1993); M.A. Mortenson Co. v. Timberline Software Corp., 140 Wash. 2d 568, 998 P.2d 305 (2000).

234. The Copyright Act provides the exclusive source of protection for "all legal and equitable rights that are equivalent to any of the exclusive rights" granted by the Copyright Act. 17 U.S.C. § 301(a) (2006). The Copyright Act's Section 301 expressly preempts any state law that attempts to provide equivalent rights. Conversely, of course, the Copyright Act does not prevent state law from enforcing non-equivalent legal or equitable rights.

235. A classic state-statute preemption case in the area of end user licensing was *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255 (5th Cir. 1988). In that case, the plaintiffs challenged the Louisiana Software License Enforcement Act, which permitted software publishers to enforce terms against end users provided that the terms were in a license comporting with the statute. According to the statute, enforceable terms "include the prohibition of: (1) any copying of the program for any purpose; and (2) modifying and/or adapting the program in any way, including adaptation by reverse engineering, decompiliation or disassembly." *Id.* at 268–69. The Fifth Circuit held that the Louisiana statute conflicted with the rights of computer-program owners conferred in Section 117 of the Copyright Act, which permits the owner of a copy to make certain adaptations that are essential steps in the utilization of the program and to make archival copies. *Id.* at 270.

236. 991 F.2d 426 (8th Cir. 1993).

Eight Circuit held that the Copyright Act did not preempt a contractual limitation on the licensee's ability to use the software in certain ways.[237] Other courts have agreed with respect to contractual constraints on copyrighted works, including courts from the Fourth,[238] Fifth,[239] Sixth,[240] and Seventh Circuits.[241]

Most famously, in *ProCD v. Zeidenberg*,[242] the Seventh Circuit held that enforcement of a shrinkwrap license for ProCD's software and database product was not preempted by Section 301 of the Copyright Act.[243] In that case, Mr. Zeidenberg acquired a version of ProCD's software and database product that was licensed solely for internal private use.[244] If a user wanted to use ProCD's product for commercial purposes, it could obtain such a license for a higher fee. Mr. Zeidenberg ignored the limited license grant by hosting the database on the Internet for public use and access.[245] The Seventh Circuit ruled that Mr. Zeidenberg had seen the license, assented to it, and was therefore bound by it.[246]

The court in *ProCD* ruled that, generally speaking,[247] claims for breach of a license contract are not equivalent to claims of copyright infringement.[248] The court reasoned that: "A copyright is a right against

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237. *Id.* at 433.

238. *See* Acorn Structures Inc. v. Swantz, 846 F.2d 923, 926 (4th Cir. 1988).

239. *See* Taquino v. Teledyne Monarch Rubber, 893 F.2d 1488, 1501 (5th Cir. 1990).

240. *See* Wrench, L.L.C. v. Taco Bell Corp., 256 F.3d 446, 457 (6th Cir. 2001).

241. *See* ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1455 (7th Cir. 1996). In addition, intuiting First Circuit law, the Federal Circuit in *Bowers v. Baystate Technologies, Inc.* held that a "no reverse engineering" clause in a shrinkwrap license was not preempted by the Copyright Act. 320 F.3d 1317 (Fed. Cir. 2003).

242. 86 F.3d 1447 (7th Cir. 1996).

243. *Id.* at 1455.

244. *Id.* at 1449.

245. The end user in the *ProCD* case was notified of the license condition on four separate occasions (on the product packaging, in the user guide, upon installation of the software, and prior to gaining access to the product's data). The end user's explanation for violating the condition was not that he did not know about it, but that he thought it was unenforceable (i.e., essentially a legal conclusion). *See* ProCD, Inc. v. Zeidenberg, 908 F. Supp. 640, 651 (W.D. Wis. 1996) ("In defendant's view, the contract for the sale of SelectPhone was completed at the time of sale and the license represents additional terms to which they cannot be bound . . . .").

246. *ProCD*, 86 F.3d at 1452–53.

247. The court cautioned that it is "prudent to refrain from adopting a rule that anything with the label 'contract' is necessarily outside the preemption clause: the variations and possibilities are too numerous to foresee." 86 F.3d at 1455.

248. *See* Daniel Laster, *The Secret is Out: Patent Law Preempts Mass Market License Terms Barring Reverse Engineering for Interoperability Purposes*, 58 BAYLOR L. REV. 621 (2006)

the world. Contracts, by contrast, generally affect only their parties; strangers may do as they please,[249] so contracts do not create 'exclusive rights.'"[250] In other words, a license is not equivalent to a copyright because a license allots rights only between specific parties bound by a contractual relationship and does not represent a general right to exclude all parties, as a copyright does.[251] While academic commentators love to hate the *ProCD* case,[252] most courts have followed its approach.[253]

For example, in *Blizzard Entertainment Inc. v. Jung*,[254] the Eighth Circuit rejected a conflict-preemption claim relating to the Digital Millennium Copyright Act (DCMA).[255] The case addressed whether a "no reverse engineering clause" in a mass-market license is preempted by Section 1201(f) of the DMCA, which provides an interoperability exception to the Act's prohibition on circumventing copyright protection devices.[256] The users of Blizzard Entertainment's software had agreed to either a boot-screen license or an online "terms of use" license. Both licenses prohibited the act of reverse engineering the software.[257] The users nonetheless reverse engineered Blizzard Entertainment's software games to discover protocols so that they could create a gaming website

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(arguing that patent law, rather than copyright law, should be the proper focus of preemption analysis in cases of reverse engineering).

249. Some commentators argue that mass-market licenses, in reality, create something more like an in rem right. *See, e.g.*, *id.* at 674–77.

250. *ProCD*, 86 F.3d at 1454.

251. Some courts use the term "extra element" to explain the point about non-equivalency between contract rights and copyrights. They note that a breach-of-contract claim has an extra element that a copyright-infringement claim does not, namely proof of contractual relationship. The need to prove the existence of this relationship in a breach-of-contract case makes a contract claim different from a copyright claim. *See* Gates Rubber Co. v. Bando Chem. Indus., Ltd., 9 F.3d 823 (10th Cir. 1993) (trade-secret claim not preempted by copyright claim); Baltimore Orioles v. Major League Baseball Players Ass'n, 805 F.2d 663 (7th Cir. 1986).

252. *See* Gomulkiewicz, *Getting Serious*, *supra* note 33, at 687 (noting that in the past twenty years over one hundred scholarly articles have been written on the subject of mass-market software licenses, most of them critical, and many of them criticizing the *ProCD* decision on various grounds). For a recent example, see Elizabeth I. Winston, *Why Sell What You Can License? Contracting Around Statutory Protection of Intellectual Property*, 14 GEO. MASON L. REV. 93 (2006).

253. *See* NGUYEN ET AL., *supra* note 10 at 538; LEMLEY ET AL., SOFTWARE AND INTERNET LAW 337 (3d ed. 2006) ("Since *ProCD*, a majority of courts have enforced shrinkwrap licenses.").

254. 422 F.3d 630 (8th Cir. 2005).

255. *Id.* at 640–41.

256. *Id.* at 637.

257. *Id.* at 635–36.

that worked with the games.[258] Blizzard Entertainment sued for breach of contract. The Eighth Circuit ruled that plaintiffs had contractually accepted restrictions on their ability to reverse engineer Blizzard Entertainment's software and that the bargain was permissible under copyright law.[259] The court held that enforcement of the contract does not conflict with the interoperability exception in the DMCA.[260]

The Ninth Circuit recently summed up the state of play for challenges related to first sale in software cases:

> Generally, if the copyright holder makes it clear that she or he is granting only a license to the copy of software and imposes significant restrictions on the purchaser's ability to redistribute or transfer that copy, the purchaser is considered a licensee, not an owner, of the software. . . . Indeed, the first sale doctrine rarely applies in the software world because software is rarely "sold."[261]

VI. THE FEDERAL CIRCUIT'S STEWARDSHIP OF LICENSING LAW

A. Upholding the Use of Licenses in Technological and Business-Model Innovation

This Article began by describing how licenses play a vital role in the information economy. Licenses underlie the creation and distribution of ideas, information, inventions, and works. People use licenses to build products and create customer solutions; they use them to distribute products and enable use.[262] Licenses lie at the center of both technological and business-model innovation. Both types of innovation are critical to success in the information economy.

The Federal Circuit is well positioned to observe the use of licenses in the information economy because cases involving ideas and inventions

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258. *Id.* at 637.

259. *Id.* at 638.

260. One recent commentator disagrees with this outcome. *See* Laster, *supra* note 248, at 693–701.

261. Wall Data Inc. v. L.A. County Sheriff's Dep't, 447 F.3d 769, 785, 785 n.9 (9th Cir. 2006).

262. Although much of the discussion *supra* focuses on information technology, licensing is also important in other areas of the economy. *See, e.g.*, Sean M. O'Connor, *The Use of MTAs to Control Commercialization of Stem Cell Diagnostics and Therapeutics*, 21 BERKELEY TECH. L.J. 1017 (2006).

make up the court's standard diet.[263] For example, the court recently decided an important case addressing licensing of open source software.[264] The Federal Circuit sees not only innovative technology, but also the innovative ways that people assemble and distribute that technology. In other words, the court is a technology expert and a technology-business expert. This expertise has broadened as patent cases now involve a wide range of inventions such as software and business methods.[265] Moreover, innovation-related cases today involve more than only patents;[266] it is now common for the court, in the same case, to see the application of copyright,[267] trademark, trade secret, contract, and patent law to various aspects of a product and the strategy to take that product to market.[268]

The Federal Circuit's expertise in technology businesses brings an important perspective to licensing cases. A court needs to appreciate the ramifications that its decisions will have on business-model innovation. Without this sensitivity, a court can unduly disrupt efficient business

263. In addition to the cases described *supra*, as the court that reviews government-contract appeals, the Federal Circuit sees many cases involving intellectual property, software, and information licenses between firms and the United States government. *See, e.g.*, Campbell Plastics, Inc. v. Brownlee, 389 F.3d 1243 (Fed. Cir. 2004); *see also* NGUYEN ET AL., *supra* note 10, at 757–868 (describing licensing in the government-contracts setting); Danielle Conway-Jones, *Research and Development Deliverables Under Government Contracts, Grants, Cooperative Development Agreements and CRADAs*, 9 COMPUTER L. REV. & TECH. J. 181 (2004).

264. Jacobsen v. Katzer, 535 F.3d 1373 (Fed. Cir. 2008); *see generally* Gomulkiewicz, *supra* note 41.

265. *See, e.g.*, Amazon.com, Inc. v. BarnesAndNoble.com, 239 F.3d 1343 (Fed. Cir. 2001).

266. The Federal Circuit is often perceived as an expert in all types of intellectual property, not just patents. *See* Lawrence Rosen, *Bad Facts Make Good Law: The* Jacobsen *Case and Open Source*, Nov.–Dec. 2008, at 1, *permanent copy available at* http://www.law.washington.edu/wlr/notes/84washlrev199n266.pdf ("The *Jacobsen* case found its way to the Court of Appeals for the Federal Circuit (CAFC), arguably the most important court short of the U.S. Supreme Court *for intellectual property matters*." (emphasis added)).

267. Arguably some of the most important contemporary copyright cases and issues deal with the distribution of copyright works rather than the creative process. *See* Peter S. Menell, *Envisioning Copyright Law's Digital Future*, 46 N.Y.L. SCH. L. REV. 63 (2003). In terms of cases, see, for example, *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005). In terms of issues, the Google Books Library Project is a good example. *See* Google Book Search Library Project, http://www.google.com/googlebooks/library.html (last visited Apr. 18, 2009), *permanent copy available at* http://www.law.washington.edu/wlr/notes/84washlrev199n267.pdf.

268. *See e.g.*, Bowers v. Baystate Tech., Inc., 320 F.3d 1317 (Fed. Cir. 2003) (copyrights, contracts, patents); Intergraph Corp. v. Intel Corp., 195 F.3d 1346 (Fed. Cir. 1999) (contracts, trade secrets, patents); Atari Games Corp. v. Nintendo of Am., Inc., 975 F.2d 832 (Fed. Cir. 1992) (copyrights and patents).

practices[269] and, in some cases, threaten the viability of certain industries.[270] Lack of licensing-law expertise may also mean that a court will fail to appreciate the implications that a ruling in an area of law may have on the business practices of innovators.[271] The Federal Circuit understands that licensing is just as important to MySQL[272] as it is to Monsanto.[273]

The Federal Circuit's general approach to cases involving complex, modern licensing models is to leave them intact.[274] This approach began in *Mallinckrodt* and continued through the *Monsanto* cases and on to *LG Electronics*.

That is not to say that the Federal Circuit is an uncritical judge of licensing. The court does not seem willing to tolerate shoddy contracting practices.[275] Additionally, it has been careful to assure that a license

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269. *See* Colloquy, Monsanto v. Scruggs: *The Scope of Downstream Licensing Restrictions*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1025, 1040 (2006) (quoting Dick Ulmer, counsel in *Arizona Cartridge Remanufacturing Ass'n v. Lexmark International, Inc.*, 421 F.3d 981 (9th Cir. 2005), speaking about Lexmark: "Lexmark was very careful in structuring this program. They very closely followed the *Mallinckrodt* case, which was of great interest to them. The other key case in this field, although it is not a patent case, is the *ProCD* case, which, to our mind, is the key case."); Gomulkiewicz, *The License Is the Product*, *supra* note 33.

270. *See* Joel Rothstein Wolfson, *Contract and Contracts Are Not at War*, 87 CAL. L. REV. 79 (1999) (explaining how the information industry relies on licenses in light of *Feist Publications, Inc. v. World Telephone Service Co.*, 499 U.S. 340 (1991), a case which makes more difficult to claim a copyright in a database).

271. *See* O'Connor, *supra* note 109 (pointing out that the Supreme Court's decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), had significant negative unintended consequences for the university technology-transfer community's licensing practices).

272. *See* Robert W. Gomulkiewicz, *Entrepreneurial Open Source Hackers—*MySQL *and Its Dual Licensing*, 9 COMPUTER L. REV. & TECH. J. 203 (2004); *see also* Progress Software Corp. v. MySQL AB, 195 F. Supp. 2d 328 (D. Mass. 2002); *see generally* Ronald J. Mann, *Commercializing Open Source Software: Do Property Rights Still Matter?*, 20 HARV. J.L. & TECH. 1 (2006); Jason B. Wacha, *Taking the Case: Is the GPL Enforceable?*, 21 SANTA CLARA COMPUTER & TECH. L.J. 451 (2005); Daniel B. Ravicher, *Facilitating Collaborative Software Development: The Enforceability of Mass-Market Public Software Licenses*, 5 VA. J.L. & TECH. 11 (2000); WEBER, *supra* note 26, at 190–223.

273. Monsanto has not always been on the winning side. *See* Rhone Poulnec Agro S.A. v. DeKalb Genetics Corp., 284 F.3d 1323 (Fed. Cir. 2002) (rejecting bona-fide-purchaser defense raised by Monsanto).

274. *See generally* U.S. Philips Corp. v. Int'l Trade Comm'n, 424 F.3d 1179 (Fed. Cir. 2005) (patent package licensing); *In re* Indep. Serv. Orgs. Antitrust Litig., 203 F.3d 1322 (Fed. Cir. 2000) (copier equipment and maintenance policy); Bowers v. Baystate Tech., Inc., 320 F.3d 1317 (Fed. Cir. 2003) (end-user software license); discussion of the *Mallinckrodt, Monsanto*, and *LG Electronics* cases, *supra* Part V.B.

275. *See* Hewlett Packard Co. v. Repeat-O-Type Stencil Mfg. Corp., 123 F.3d 1445 (Fed. Cir. 1997) (re-use of printer ink cartridges); Jazz Photo Corp. v. Int'l Trade Comm'n, 264 F.3d 1094 (Fed. Cir. 2001) (single-use cameras); *cf.* Campbell Plastics Eng'g & Mfg., Inc. v. Brownlee, 389

grant is within with scope of the patent rights.[276] The court recognizes that business practices that expand the scope of a patent or become part of an anticompetitive practice are out of bounds.[277] When litigants raise challenges of this nature, however, the Federal Circuit seems to take great care to examine the business context.

A good example is the court's decision in *U.S. Philips Corp. v. International Trade Commission*.[278] In that case, a licensee argued that U.S. Philips' package patent-licensing arrangement for recordable and rewritable CDs constituted patent misuse because both essential and non-essential patents were licensed for one price in one non-divisible package. The Federal Circuit performed a detailed analysis of the licensing practice as it related to the market and finally upheld U.S. Philips' business model "[i]n light of the efficiencies of package patent licensing."[279] In reaching its conclusion the court analogized Philips' patent package licensing to the package copyright-licensing scheme that the Supreme Court approved in *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*[280]

One of the most telling examples of the Federal Circuit's approach to modern licensing practice can be found in *Bowers v. Baystate Technologies, Inc.*[281] In that case, a developer of computer aided design (CAD) software attempted to enforce a prohibition on reverse engineering embodied in a shrinkwrap license. The licensee, like many licensees before it, argued that the license was preempted under Section 301 of the Copyright Act. The Federal Circuit, citing several prior circuit court decisions, turned aside this challenge.

The more difficult question, however, was whether the licensee's conduct was permitted as a "fair use" under the Copyright Act. This question presented a direct collision between freedom of contract and a

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F.3d 1243 (Fed. Cir. 2004) (government-contract licensing case).

276. *See, e.g.*, Monsanto Co. v. Scruggs, 459 F.3d 1328, 1336 (Fed. Cir. 2006).

277. *See* B. Braun Med., Inc. v. Abbott Labs., 124 F.3d 1419 (Fed. Cir. 1997).

278. 424 F.3d 1179 (Fed. Cir. 2005); *see also In re Indep. Serv. Org. Antitrust Litig.*, 203 F.3d 1322 (Fed. Cir. 2000) (intuiting the Tenth Circuit's approach, the Federal Circuit refused to impose antitrust liability for unilateral refusal to sell or license a patent); Intergraph Corp. v. Intel Corp., 195 F.23d 1346 (Fed. Cir. 1999) (vacating preliminary-injunction remedy of mandatory disclosure of trade secrets and other provision of intellectual property).

279. *U.S. Philips*, 424 F.3d at 1193.

280. 441 U.S. 1 (1979) (discussing the efficiencies of ASCAP and BMI public-performance copyright licensing and ruling the licensing scheme was not a *per se* violation of antitrust law).

281. 320 F.3d 1317 (Fed. Cir. 2003).

statutory defense to copyright infringement.[282] Indeed, the Federal Circuit had previously stated that reverse engineering software might be a fair use under the Copyright Act.[283] Nonetheless, the Federal Circuit concluded:

> [P]rivate parties are free to contractually forego the limited ability to reverse engineer a software product under the exemptions of the Copyright Act. Of course, a party bound by such a contract may elect to efficiently breach the agreement in order to ascertain ideas in a computer program unprotected by copyright law. Under such circumstances, the breaching party must weigh the benefits of breach against the arguably de minimis damages arising from merely discerning non-protected code.[284]

In other words, the Federal Circuit is willing to let technology businesses innovate in their business models as well as with their technology. Some licensing practices may rise to the level of misuse, violate antitrust laws, or be unenforceable because of faulty contract formation. Outside of that, the Federal Circuit has carefully stewarded modern licensing practices against judicial interference.

Some might wonder whether the Federal Circuit has demonstrated a "pro licensor" bias in its jurisprudence in the same way that many have alleged that the court has a "pro patentee" bias.[285] It is important to note that many scholars now believe that concerns over a pro-patentee bias "have largely abated."[286] Some scholars who have studied the Federal Circuit's first sale jurisprudence seem to think that it favors patent licensors.[287] By and large, however, courts at all levels and in all jurisdictions seem to favor licensors in the majority of cases.[288] There is nothing in my reading of the Federal Circuit's case law to indicate that the Federal Circuit favors licensors more than any other federal or state

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282. *See* NGUYEN ET AL., *supra* note 10, at 38–39.

283. Atari Games Corp. v. Nintendo of Am., Inc., 975 F.2d 832, 843 (Fed. Cir. 1992).

284. *Id.* at 1325–26.

285. *See* Janicke & Ren, *supra* note 14, at 38 ("The Federal Circuit has often been accused of having a pro-patent leaning.").

286. Dreyfuss, *supra* note 4, at 770; *see also* Janicke & Ren, *supra* note 14, at 38 ("There is nothing in our findings that would support [a pro-patent leaning] view.").

287. *See, e.g.*, Patterson, *supra* note 112.

288. *See* Mark A. Lemley, *Terms of Use*, 91 MINN. L. REV. 459, 459–60, (2006) ("Every court to consider the issue has found 'clickwrap' licenses . . . enforceable. A majority of courts in the past ten years have enforced shrinkwrap licenses . . . Finally, and more recently, an increasing number of courts have enforced 'browsewrap' licenses . . . .").

court.[289] However, further study may reveal (or put to rest) such a concern.[290] Most significantly, the stereotypical picture of a large, powerful licensor and a small, weak licensee does not reflect the complex realities of the information economy in which licensors and licensees come in all shapes and sizes,[291] as illustrated so well by open source software licensing.[292]

The Federal Circuit's approach to modern licensing generally lines up well with the approach of other courts, especially other federal circuit courts. Litigants and commentators have challenged modern licensing practices on first sale,[293] preemption,[294] misuse,[295] antitrust,[296] and fair-use[297] grounds. As previously discussed, by and large, courts have turned

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289. *Compare, e.g.*, Hewlett Packard Co. v. Repeat-O-Type Stencil Mfg. Corp., 123 F.3d 1445 (Fed. Cir. 1997) *with* Specht v. Netscape Commc'ns Corp., 306 F.3d 17 (2d Cir. 2002) (closely examining contract formation in both cases). *See also* Storage Tech. Corp. v. Custom Hardware Eng'g & Consulting, Inc., 421 F.3d 1307 (Fed. Cir. 2005) (ruling for the licensee over Judge Radar's dissent, and carefully construing a license for software repair and maintenance while tackling several challenging license-interpretation issues, including the intersection between the license and 17 U.S.C. § 117(c) (2000)).

290. *Cf.* Florencia Marotta-Wurgler, *Are "Pay Now, Terms Later" Contracts Worse For Buyers? Evidence From Software License Agreements*, LAW & ECON. RESEARCH WORKING PAPER SERIES NO. 05-10 (N.Y.U. Sch. of Law, New York, N.Y.), Sept. 7, 2005, *permanent copy available at* http://www.law.washington.edu/wlr/notes/84washlrev199n290.pdf (finding that, contrary to conventional wisdom, the substantive terms of "pay now, terms later" licenses are actually better in most cases than terms where assent is manifest in advance of payment); Xuan-Thao Nguyen, *Justice Scalia's "Renegade Jurisdiction": Lessons for Patent Law Reform*, 83 TUL. L. REV. 111 (2008) (challenging conventional wisdom that the U.S. District for the Eastern District of Texas should be considered a notorious haven for patent litigation).

291. *See* Robert W. Gomulkiewicz, *The License Is the Product*, *supra* note 33.

292. For a recent example, see Jacobsen v. Katzer, 535 F.3d 1373 (Fed. Cir. 2008), which involves a dispute over interpretation of the Artistic License used with open source software used by model railroad enthusiasts.

293. *See, e.g.*, John A. Rothchild, *The Incredible Shrinking First-Sale Rule: Are Software Resale Limits Lawful?*, 57 RUTGERS L. REV. 1 (2004).

294. *See, e.g.*, Dennis J. Karjala, *Federal Preemption of Shrinkwrap and On-Line Licenses*, 22 U. DAYTON. L. REV. 511 (1997); Maureen A. O'Rourke, *Drawing the Boundary Between Copyright and Contract: Copyright Preemption of Software License Terms*, 45 DUKE L.J. 479 (1995).

295. *See, e.g.*, Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc., 342 F.3d 191 (3d Cir. 2003); Practice Mgmt. Info. Corp. v. Am. Med. Ass'n, 121 F.3d 516 (9th Cir. 1997); Va. Panel Corp. v. MAC Panel Corp., 133 F.3d 860 (Fed. Cir. 1997) (discussing threat to void warranty not patent misuse).

296. *See, e.g.*, U.S. Philips Corp. v. Int'l Trade Comm'n, 424 F.3d 1179 (Fed. Cir. 2005).

297. *See, e.g.*, Wall Data, Inc. v. L.A. County Sheriff's Dept., 447 F.3d 769 (9th Cir. 2006); Blizzard Entm't, Inc. v. Jung, 422 F.3d 630 (8th Cir. 2005); Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc., 342 F.3d 191 (3d Cir. 2003). In the Federal Circuit, see *Bowers v. Baystate Technologies, Inc.*, 320 F.3d 1317 (Fed. Cir. 2003) and *DSC Communication Corp. v. Pulse Communication, Inc.*, 170 F.3d 1354 (Fed. Cir. 1999).

aside these challenges, refusing to meddle in the market.[298] Even the *Bowers v. Baystate Technologies* decision, which arguably presents one of the most challenging intersections between contract and intellectual-property law,[299] is in the mainstream[300] and has been directly followed.[301]

The Federal Circuit's approach also seems to line up well with the Supreme Court's approach.[302] As a general proposition, the Supreme Court has upheld freedom of contract and modern contracting practices.[303] The Supreme Court has not tolerated attempts to extend

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298. In addition to the *Specht*, *Arizona Cartridge*, *Blizzard Entertainment*, *National Car Rental*, and *ProCD* cases discussed *supra* Part V.C, there are several other pertinent cases. *See, e.g.*, Micro Star v. Formgen Inc., 154 F.3d 1107 (9th Cir. 1998); Adobe Sys., Inc. v. Stargate Software, Inc., 216 F. Supp. 2d 1051 (N.D. Cal. 2002); i.LAN Sys., Inc. v. Netscout Serv. Level Corp., 183 F. Supp. 2d 328 (D. Mass. 2002); Storm Impact, Inc. v. Software of the Month Club, 13 F. Supp. 2d 782 (N.D. Ill. 1998); Ariz. Retail Sys., Inc. v. Software Link, Inc., 831 F. Supp. 759 (D. Ariz. 1993); I-A Equip. Co. v. I-Code, Inc., 43 U.C.C. Rep. Serv. 2d 807 (Mass. Dist. Ct. 2000); M.A. Mortenson Co. v. Timberline Software Corp., 140 Wash. 2d 568, 998 P.2d 305 (2000). While upholding modern licensing practices as a general rule, courts have not enforced all licenses or license terms, particularly where the licensor did not provide a meaningful opportunity to review the terms or there was no meaningful manifestation of assent, or where a term was unconscionable or violated antitrust law or constituted a misuse of intellectual property. The *Specht* and *Arizona Retail* cases, for example, approved of some license transactions but found others to be unenforceable because of shoddy contracting practices. The courts in *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990), *Acatel USA, Inc. v. DGI Technologies, Inc.*, 166 F.3d 772 (5th Cir. 1999), and *Assessment Technologies of Wisconsin, L.L.C. v. WIREdata, Inc.*, 350 F.3d 640 (7th Cir. 2003) refused to enforce the copyright because certain provisions in software licenses amounted to a "misuse" of the copyright. In *United States v. Microsoft Corp.*, 253 F.3d 34 (D.C. Cir. 2001), the court held that provisions in Microsoft's OEM licenses were used to illegally maintain its Windows software monopoly. Several courts have refused to enforce mandatory arbitration, choice-of-law or venue provisions in consumer licenses, finding them unconscionable. *See, e.g.*, Bragg v. Linden Research, Inc., 487 F. Supp. 2d 593 (E.D. Pa. 2007) (finding mandatory arbitration provision unconscionable); Brower v. Gateway 2000, Inc., 676 N.Y.S.2d 569 (1998); Comb v. Paypal, Inc., 218 F. Supp. 2d 1165 (N.D. Cal. 2002).

299. In *Bowers*, the court considered whether a contractual limitation on reverse engineering should be enforceable. This pits the notions of freedom and certainty of contract against the notion of a copyright being a limited exclusive right. *See* David A. Rice, *Copyright and Contract: Preemption After* Bowers v. Baystate, 9 ROGER WILLIAMS L. REV. 595 (2004) (criticizing the *Bowers v. Baystate* decision).

300. *See, e.g.*, Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc., 342 F.3d 191 (3d Cir. 2003).

301. Blizzard Entm't, Inc. v. Jung, 422 F.3d 630 (8th Cir. 2005).

302. *Cf.* Eisenberg, *supra* note 7, at 29 ("Unfortunately, the Supreme Court's own patent jurisprudence is mostly quite old, limiting its value as a guide to the most pressing unresolved issues of today.")

303. *See, e.g.*, Carnival Cruise Lines, Inc. v. Shute, 499 U.S. 585, 586 (1991); Bremen v. Zapata Off-Shore Co., 407 U.S. 1 (1972); *see generally* 1 E.A. FARNSWORTH, FARNSWORTH ON CONTRACTS 4.26–4.27 (1990); Nw. Nat'l Ins. Co. v. Donovan, 916 F.2d 372, 377 (7th Cir. 1990)

patent or copyright monopolies,[304] but in intellectual-property licensing, the Supreme Court has upheld a license against a challenge that the license was preempted by federal patent law[305] and recognized the importance of trade-secret licensing to the dissemination of knowledge.[306] One could also read the Supreme Court's rather narrow decision in *MGM Studios, Inc. v. Grokster, Ltd.*[307] as encouraging innovative business practices except when the practices strongly encourage infringing activities. Moreover, the Supreme Court's recent approach in technology-related antitrust cases seems to favor giving breathing space to evolving business practices.[308]

B. Future Licensing-Law Cases

The Federal Circuit's strong influence over the shape of licensing law should remind the court to take special care in its licensing cases, acknowledging the broad impact of its rulings. Thus far, the Federal Circuit has been adept, as discussed, at being a good steward of licensing practices that promote technological and business-model innovation. Providing an analysis of whether and how its rules in patent-licensing

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("Ours is not a bazaar economy in which the terms of every transaction, or even of most transactions, are individually dickered; even when they are, standard clauses are commonly incorporated into the final contract, without separate negotiation of each of them.").

304. *See, e.g.*, TrafFix Devices, Inc. v. Marketing Displays, Inc., 532 U.S. 23 (2001) (attempted use of trade dress after patent had expired); Dastar Corp. v. Twentieth Cent. Fox Film Corp., 539 U.S. 23 (2003) (attempted use of Lanham Act to extend copyright protection).

305. *See* Aronson v. Quick Point Pencil Co., 440 U.S. 257, 266 (1979). *But see* Lear, Inc. v. Adkins, 395 U.S. 653, 674 (1969) (declining to enforce licensee estoppel term).

306. *See* Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 486 (1974) ("Another problem that would arise if state trade secret protection were precluded is in this area of licensing others to exploit secret processes. The holder of the trade secret would not likely share his secret with a manufacturer who cannot be placed under binding legal obligation to pay a license fee or to protect the secret. The result would be to hoard rather than to disseminate knowledge.").

307. 545 U.S. 913 (2005). Many believed that the Supreme Court would use the *Grokster* case to update its jurisprudence on secondary liability for copyright infringement. The Court, however, declined to do so and instead based its ruling on the evidence before it, which showed pervasive inducement to infringe. 545 U.S. at 934–40. This, in effect, allowed a variety of file-sharing business models to survive so long as the proprietors did not promote themselves in the manner that the defendants had in *Grokster*.

308. *See, e.g.*, Ill. Tool Works, Inc. v. Indep. Ink, Inc., 547 U.S. 28, 31 (2006) (ruling that one cannot presume a patent confers market power, leaving in place a business practice whereby OEMs are required to buy both unpatented and patented ink cartridges); Verizon Commc'ns, Inc. v. Law Offices of Curtis V. Trinko, LLP, 540 U.S. 398, 410 (2004) (refusing to find that an alleged violation of 1996 Telecommunications Act states a claim for a "refusal to deal" under the Sherman Act).

cases should apply to copyright, trademark, trade secret, and information licensing would be a useful guide for other courts that often apply Federal Circuit patent-licensing cases by analogy. Special care should be taken, as it was in *Hewlett-Packard Co. v. Repeat-O-Type Stencil Manufacturing Corp.*,[309] when it comes to applying basic contract-law principles to licensing practices.[310] It appears that the downfall of the Federal Circuit in *Quanta Computer* may have been its eagerness to find binding contract terms (and binding contractual conditions), which were not warranted by the facts. And finally, as the Supreme Court did in *Univis Lens* (a case re-affirmed in *Quanta Computer*), the Federal Circuit should be ready to strike down licensing practices that violate licensing-law boundaries such as misuse, antitrust, and unconscionable terms. Such an approach would ensure good stewardship of the balance between exclusive rights and public uses, which is fundamental in our intellectual-property laws.

CONCLUSION

The Court of Appeals for the Federal Circuit has become one of the most influential actors in the creation of licensing law. Licensing law has developed as common law in the aftermath of failed efforts to codify it. In this setting, state and federal courts now look to the Federal Circuit for guidance when deciding licensing-related cases. The Federal Circuit's influence reaches across industries, regions, and types of intellectual property. The court's approach to licensing law has been simple but powerful: let modern licensing practices flourish, hemmed in only when such practices run afoul of misuse, antitrust, or contract-formation issues. Given the importance of licensing in the information economy to the development and distribution of products as diverse as open source software and soybean seed, the wisdom of this approach will play an important role in the United States' ability to innovate and compete in the world economy.

309. 123 F.3d 1445 (Fed. Cir. 1997).

310. For one critique, see Kaiser, *supra* note 11.

APPENDIX I: COURTS CITING FEDERAL CIRCUIT CASES

Copyright: choice of law	Foad Consulting Group, Inc. v. Azzalino 270 F.3d 821 C.A.9 (Cal.), 2001	C.A.9 (Cal.)	Circuit
Copyright: misuse / antitrust	A&M Records, Inc. v. Napster, Inc. 239 F.3d 1004 C.A.9 (Cal.), 2001	C.A.9 (Cal.)	Circuit
Copyright/software: reverse engineering	Micro Data Base Systems, Inc. v. Dharma Systems, Inc. 148 F.3d 649 C.A.7 (Ind.), 1998	C.A.7 (Ind.)	Circuit
Patents: choice of law	In re CFLC, Inc. 89 F.3d 673 C.A.9 (Cal.), 1996	C.A.9 (Cal.)	Circuit
Patents: choice of law	Boggild v. Kenner Products, Div. of CPG Products Corp. 853 F.2d 465 C.A.6 (Ohio), 1988	C.A.6 (Ohio)	Circuit
Patents: choice of law	Intel Corp. v. Broadcom Corp. 173 F. Supp. 2d 201 D. Del., 2001	D. Del	District
Trademark: assignment / license-back as evidence of confusion	E. & J. Gallo Winery v. Gallo Cattle Co. 955 F.2d 1327 C.A.9 (Cal.), 1992	C.A.9 (Cal.)	Circuit
Patents: infringement damages in terms of value of a license	University of Colorado Foundation, Inc. v. American Cyanamid Co. 216 F. Supp. 2d 1188 D. Colo., 2002	D. Colo.	District
Patents: implied license / exhaustion	Cook Inc. v. Boston Scientific Corp. 208 F. Supp. 2d 874 N.D. Ill., 2002	N.D. Ill.	District
Patents: implied license / exhaustion	Monsanto Co. v. Trantham 156 F. Supp. 2d 855 W.D. Tenn., 2001	W.D. Tenn.	District

Patents: implied license / exhaustion	Sony Electronics, Inc. v. Soundview Technologies, Inc. 157 F. Supp. 2d 172 D. Conn., 2001	D. Conn., 2001.	District
Patents: implied license / exhaustion	In re Singer Co., N.V. 262 B.R. 257 Bkrtcy. S.D.N.Y., 2001	Bkrtcy. S.D.N.Y.	District
Patents: implied license / exhaustion	Travelers Exp. Co., Inc. v. American Exp. Integrated Payment 80 F. Supp. 2d 1033 D. Minn., 1999	D. Minn.	District
Patents: implied license / exhaustion	U.S. Surgical Corp. v. Orris, Inc. 5 F. Supp. 2d 1201 D. Kan., 1998	D. Kan.	District
Patents: implied license / exhaustion	Cardiovascular Diagnostics Inc. v. Boehringer Mannheim Corp. 985 F. Supp. 615 E.D.N.C., 1997	E.D.N.C.	District
Patents: implied license / exhaustion	Empire Iron Works, Inc. v. Defender, Inc. 992 F. Supp. 928 E.D. Mich., 1997	E.D. Mich.	District
Patents: implied license / exhaustion	Glass Equipment Development, Inc. v. Simonton Windows Co. 929 F. Supp. 227 N.D. W. Va., 1996	N.D. W. Va.	District
Patents: implied license / exhaustion	Hoppe v. Baxter Healthcare Corp. 878 F. Supp. 303 D. Mass., 1995	D. Mass.	District
Patents: implied license / exhaustion	Lifescan, Inc. v. Can-Am Care Corp. 859 F. Supp. 392 N.D. Cal., 1994	N.D. Cal.	District
Patents: implied license / exhaustion	Universal Electronics, Inc. v. Zenith Electronics Corp. 846 F. Supp. 641 N.D. Ill. 1994	N.D. Ill.	District

Patents: implied license / exhaustion	Cyrix Corp. v. Intel Corp. 803 F. Supp. 1200 E.D. Tex. 1992	E.D. Tex.	District
General: contract interpretation	In re Valley Media, Inc. 279 B.R. 105 Bkrtcy. D. Del., 2002	Bkrtcy. D. Del.	District
Patents: contract interpretation	Intel Corp. v. Broadcom Corp. 173 F. Supp. 2d 201 D. Del., 2001	D. Del.	District
Patents: contract interpretation	In re Supernatural Foods, LLC 268 B.R. 759 Bkrtcy. M.D. La., 2001	Bkrtcy. M.D. La.	District
Patents: contract interpretation	Syndia Corp. v. Lemelson Medical Education and Research Foundation, 165 F. Supp. 2d 728 N.D. Ill., 2001	N.D. Ill.	District
Patents: contract interpretation	Cyrix Corp. v. Intel Corp. 879 F. Supp. 672 E.D. Tex., 1995	E.D. Tex.	District
Patents: contract interpretation	Kabushiki Kaisha Hattori Seiko v. Refac Technology Development Corp. 690 F. Supp. 1339 S.D.N.Y., 1988	S.D.N.Y.	District
Copyright / software: contract interpretation	SoftMan Products Co., LLC v. Adobe Systems, Inc. 171 F. Supp. 2d 1075 C.D. Cal., 2001	C.D. Cal.	District
Patents: antitrust	Monsanto Co. v. Trantham 156 F. Supp. 2d 855 W.D. Tenn., 2001	W.D. Tenn.	District
Patents: antitrust	Intergraph Corp. v. Intel Corp. 88 F. Supp. 2d 1288 N.D. Ala., 2000	N.D. Ala.	District
Patents: antitrust	Tricom, Inc. v. Electronic Data Systems Corp. 902 F. Supp. 741 E.D. Mich., 1995	E.D. Mich.	District

Patents: antitrust	Verson Corp. v. Verson Intern. Group PLC 899 F. Supp. 358 N.D. Ill., 1995	N.D. Ill.	District
Patents: standing	EyeTicket Corp. v. Unisys Corp. 155 F. Supp. 2d 527 E.D. Va., 2001	E.D. Va.	District
Patents: standing	Syndia Corp. v. Lemelson Medical Education and Research Foundation, 165 F. Supp. 2d 728 N.D. Ill., 2001	N.D. Ill.	District
Patent: misuse	Texas Instruments, Inc. v. Hyundai Electronics Industries, Co. Ltd. 49 F. Supp. 2d 893 E.D. Tex., 1999	E.D. Tex.	District
Patent: shop right as a license	Marley Co. v. FE Petro, Inc. 38 F. Supp. 2d 1070 S.D. Iowa, 1998	S.D. Iowa	District
General: license as a transfer of the attorney-client privilege	Ramada Franchise System v. Hotel of Gainesville Associates 988 F. Supp. 1460 N.D. Ga., 1997	N.D. Ga.	District
Copyright and Patents: obligation to license to other users	Tricom, Inc. v. Electronic Data Systems Corp. 902 F. Supp. 741 E.D. Mich., 1995	E.D. Mich.	District
Copyright and Patents: obligation to license to other users	Tricom, Inc. v. Electronic Data Systems Corp. 902 F. Supp. 741 E.D. Mich., 1995	E.D. Mich.	District
Trademarks: implied licenses	Department of Parks and Recreation for State of California v. 448 F.3d 1118 C.A.9 (Cal.), 2006	C.A.9 (Cal.)	Circuit
Patent: jurisdiction for licensing matters	Nutrasweet Co. v. Ajinomoto Co., Inc. 423 F. Supp. 2d 450 D. Del., 2006	D. Del.	District

Patent: jurisdiction for licensing matters	Schreiber Foods, Inc. v. Beatrice Cheese, Inc. 305 F. Supp. 2d 939 E.D. Wis., 2004	E.D. Wis.	District
Patents: contract interpretation	Rowe Intern. Corp. v. Ecast, Inc. 500 F. Supp. 2d 885, N.D. Ill., 2007	N.D. Ill.	District
Patents: contract interpretation	Dietrich v. Trek Bicycle Corp. 297 F. Supp. 2d 1122 W.D. Wis., 2003	W.D. Wis.	District
Patents: contract interpretation	Epic Systems Corp. v. Allcare Health Management System, Inc. Not Reported in F. Supp. 2d, 2002 WL 31051023 N.D. Tex., 2002	N.D. Tex.,	District
Patents: contract interpretation	In re Hernandez 285 B.R. 435 Bkrtcy. D. Ariz., 2002	Bkrtcy. D. Ariz.	District
Patents: choice of law	Rowe Intern. Corp. v. Ecast, Inc. 500 F. Supp. 2d 885, N.D. Ill., 2007	N.D. Ill.	District
Patents: choice of law	Datatreasury Corp. v. Wells Fargo & Co. 490 F. Supp. 2d 756 E.D. Tex., 2007	E.D. Tex.	District
Patents: implied licenses / exhaustion	In re Nu-Corp Intern. Technologies, Inc. 362 B.R. 308 Bkrtcy. N.D. Miss., 2007	Bkrtcy. N.D. Miss.	District
Patents: implied licenses / exhaustion	Innovative Engineering Solutions, Inc. v. Misonix, Inc. 458 F. Supp. 2d 1190 D. Or., 2006	D. Or.	District
Patents: implied licenses / exhaustion	Canon Inc. v. GCC Intern. Ltd. 450 F. Supp. 2d 243 S.D.N.Y., 2006	S.D.N.Y.	District
Patents: implied licenses / exhaustion	Minebea Co., Ltd. v. Papst 444 F. Supp. 2d 68 D.D.C., 2006	D.D.C.	District

Patents: implied licenses / exhaustion	Natterman & Cie GmbH v. Bayer Corp. 428 F. Supp. 2d 253 E.D. Pa., 2006	E.D. Pa.	District
Patents: implied licenses / exhaustion	Tenneco Auto. Operating Co., Inc. v. Visteon Corp. 375 F. Supp. 2d 375 D. Del., 2005	D. Del.	District
Patents: implied licenses / exhaustion	Aspex Eyewear, Inc. v. Altair Eyewear, Inc. 361 F. Supp. 2d 210 S.D.N.Y., 2005	S.D.N.Y.	District
Patents: implied licenses / exhaustion	Melea Limited v. Quality Models Ltd. 345 F. Supp. 2d 743 E.D. Mich., 2004	E.D. Mich.	District
Patents: implied licenses / exhaustion	Monsanto Co. v. Scruggs 342 F. Supp. 2d 584 N.D. Miss., 2004	N.D. Miss.	District
Patents – Implied licenses/exhaustion	Monsanto Co. v. Scruggs 342 F. Supp. 2d 568 N.D. Miss., 2004	N.D. Miss.	District
Patents: implied licenses / exhaustion	AT & T Corp. v. Microsoft Corp. Not Reported in F. Supp. 2d, 2004 WL 188078 S.D.N.Y., 2004	S.D.N.Y.	District
Patents: implied licenses / exhaustion	Pioneer Hi-Bred Intern., Inc. v. Ottawa Plant Food, Inc. 283 F. Supp. 2d 1018 N.D. Iowa, 2003	N.D. Iowa	District
Patents: implied licenses / exhaustion	Burlington Industries, Inc. v. Solutia, Inc. 256 F. Supp. 2d 433 M.D. N.C., 2003	M.D. N.C.	District
Patents: implied licenses / exhaustion	LG Electronics, Inc. v. Asustek Computer, Inc. 248 F. Supp. 2d 912 N.D. Cal., 2003	N.D. Cal.	District

Patents: implied licenses / exhaustion	Trustees of Columbia University in City of New York v. Roche 272 F. Supp. 2d 90 D. Mass., 2002	D. Mass.	District
Patents: implied licenses / exhaustion	In re The Singer Co., N.V. Not Reported in F. Supp. 2d, 2002 WL 31040349 S.D.N.Y., 2002	S.D.N.Y.	District
Patents: link between non-obviousness and licensing	Pfizer Inc. v. Teva Pharmaceuticals USA, Inc. 460 F. Supp. 2d 659 D.N.J., 2006	D.N.J.	District
Patents: licensee and standing	Aspex Eyewear, Inc. v. Altair Eyewear, Inc. 361 F. Supp. 2d 210 S.D.N.Y., 2005	S.D.N.Y.	District
Patents: licensee and standing	Schreiber Foods, Inc. v. Beatrice Cheese, Inc. 305 F. Supp. 2d 939 E.D. Wis., 2004	E.D. Wis.	District
Patents: licensee and standing	Logan Farms v. HBH, Inc. DE 282 F. Supp. 2d 776 S.D. Ohio, 2003	S.D. Ohio	District
Patents: licensee and standing	Superbrace, Inc. v. Tidwell 124 Cal.App.4th 388, 21 Cal.Rptr.3d 404 Cal. App. 4 Dist., 2004	Cal. App. 4 Dist.	State
Patents: licensee and standing	InternetAd Systems, LLC v. Opodo Ltd. 481 F. Supp. 2d 596 N.D. Tex., 2007	N.D. Tex.	District
Patents: license as a defense	Ciena Corp. v. Corvis Corp. 334 F. Supp. 2d 610 D. Del., 2004	D. Del.	District
Patents: compulsory licensing and damages calculations	Monsanto Co. v. David 448 F. Supp. 2d 1088 E.D. Mo., 2006	E.D. Mo.	District

Copyright / Software: right to contract (*Bowers* argument)	Meridian Project Systems, Inc. v. Hardin Const. Co., LLC 426 F. Supp. 2d 1101 E.D. Cal., 2006	E.D. Cal.	District
Copyright / Software: right to contract (*Bowers* argument)	Recursion Software, Inc. v. Interactive Intelligence, Inc. 425 F. Supp. 2d 756 N.D. Tex., 2006	N.D. Tex.	District
Copyright / Software: reverse engineering	Davidson & Associates v. Jung 422 F.3d 630 C.A.8 (Mo.), 2005	C.A.8 (Mo.)	Circuit
Copyright: jurisdiction for licensing matters	Ritchie v. Williams 395 F.3d 283 C.A.6 (Mich.), 2005	C.A.6 (Mich.)	Circuit
General: contracts of adhesion	Time Warner Entertainment Co., L.P. v. Atriums Partners, L.P. 232 F. Supp. 2d 1257 D. Kan., 2002	D. Kan.	District
General: standing	L-3 Communications Corp. v. SafeNet, Inc. 841 N.Y.S.2d 82 N.Y.A.D. 1 Dept., 2007	N.Y.A.D. 1 Dept.	State