

No. 04-1118

In The
United States Court of Appeals
For The Federal Circuit

THE CHAMBERLAIN GROUP, INC.,
Plaintiff-Appellant,

v.

SKYLINK TECHNOLOGIES, INC.,
Defendant-Appellee.

Appeal from the United States District Court for the Northern District
of Illinois in Case No. 02 C 6376, Judge Rebecca R. Pallmeyer

BRIEF OF *AMICUS CURIAE* CONSUMERS UNION
IN SUPPORT OF APPELLEE

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CERTIFICATE OF INTEREST

Counsel for *amicus curiae* Consumers Union certifies the following:

1. The full name of every party or *amicus* represented by us is CONSUMERS UNION.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by us is: None.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or *amicus curiae* represented by us are: None.

4. The names of all law firms and the partners or associates that appeared for the party or *amicus* now represented by this firm in the trial court or agency or are expected to appear in this Court are:

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STATEMENT OF INTEREST OF *AMICUS CURIAE*
CONSUMERS UNION¹

Consumers Union, publisher of *Consumer Reports* magazine, is a non-profit, independent testing and consumer protection organization serving only consumers. Since 1936, Consumers Union has been a comprehensive source for unbiased reporting about goods, services, health, personal finance, and other consumer concerns. The organization is funded solely from the sale of *Consumer Reports* (in print and online) and other services, and from nonrestrictive, noncommercial contributions, grants, and fees. Consumers Union engages regularly in consumer advocacy before the executive, judicial, and legislative branches of government. Consumers Union is committed to securing for consumers the innovation, competitive prices, range of choices, and product interoperability that result from an open marketplace and proper use of the copyright laws.

SUMMARY OF ARGUMENT

This case presents the question of whether companies can use the anti-circumvention provisions of the Digital Millennium Copyright Act (“DMCA”) to foreclose competition for aftermarket products (such as replacement parts) without

¹ Skylink Technologies, Inc. (“Skylink”) has consented to Consumers Union filing this amicus brief. Consumers Union has also attempted to obtain consent from The Chamberlain Group, Inc. (“Chamberlain”), but Chamberlain has indicated that it opposes. Consumers Union has therefore sought leave of this Court to file this brief.

an underlying claim of copyright infringement and in the absence of evidence that consumers were not authorized to use the products they had purchased.

The District Court (and the United States International Trade Commission) considered this question and rightly found that consumers of Chamberlain's garage door openers have authority to open their garages with replacement transmitters of their choosing. *See The Chamberlain Group, Inc. v. Skylink Technologies, Inc.*, 292 F. Supp. 2d 1040 (N.D. Ill. 2003); *In the Matter of Certain Universal Transmitters for Garage Door Openers*, Inv. No. 337-TA-497, 2003 WL 2281119 (Nov. 4, 2003, *aff'd by Comm'n* Nov. 24, 2003). Contrary results would have profound implications for consumers, who would be likely to face reduced choice and higher prices for a multitude of aftermarket goods. The District Court's holding is correct, supported by the language of the DMCA, legislative intent behind its passage, long-standing federal policies to preserve competition, and the intellectual property doctrines of exhaustion and misuse. For these reasons, this Court should affirm the ruling below.

Chamberlain brought this case to prevent its sole competitor in the market for universal garage door transmitters² from creating transmitters that successfully operate Chamberlain's garage door openers. If Chamberlain succeeds, consumers

² Though several companies manufacture garage door openers, only Chamberlain and Skylink make universal remote controllers for Chamberlain's rolling code garage door openers. A1761-62.

of aftermarket products will face substantial harm. With healthy competition, consumers receive the benefit of choice in remotes, are able to pay a price that is influenced by competition, and can expect product innovations inspired by a competitive market. Without competitors, Chamberlain will be able to charge higher prices for remote control devices and will have little incentive to develop new, innovative products. Moreover, under the interpretation of the DMCA Chamberlain seeks, other producers could similarly use the DMCA to leverage control in *their* peripheral markets. Any maker of consumer goods, from Daimler-Chrysler to Kodak, could wrest substantial market power from the tiny snips of functional computer code that are increasingly embedded within all manner of consumer goods.

This is not what Congress intended for the DMCA. Congress did not intend to forestall legitimate competition in aftermarket hardware. Rather, it sought to encourage digital distribution of copyrighted content such as music, movies, and books in order to provide consumers with more choice and to stimulate the on-line market. Congress's inclusion of exemptions to liability for reverse engineering and interoperable product development, as well as legislative history explaining the anti-piracy purpose of the anti-circumvention provisions, weigh heavily against Chamberlain's reading of the DMCA.

Chamberlain's DMCA claim suggests comparison with the misuse and exhaustion doctrines in patent and copyright law, which hold that rights granted by statute are unenforceable when they are used to extend the scope of protection granted by Congress. Were Chamberlain to succeed in this case, the makers of a wide variety of products, from automobiles to televisions to telephones, would receive a judicial green light to use the DMCA to exert control over their own peripheral markets. The familiar harms stemming from lack of competition could afflict consumers in virtually every market for interoperable or replacement consumer goods.

The district court rightly concluded that Chamberlain's DMCA claim was barred here because Chamberlain had effectively "authorized" its customers to use any replacement remote of their choosing. Such a finding is supported by the plain language of the Act, as well as strong public policy and legal doctrines in favor of preventing intellectual property owners from overreaching into markets that are beyond the scope of their statutory rights.

ARGUMENT

I. THIS CASE HAS WIDE-RANGING IMPLICATIONS FOR CONSUMER CHOICE AND AFTERMARKET COMPETITION.

A. Should Chamberlain Prevail, Aftermarket Competition Will Be Limited, Harming Consumers.

This case has great potential to affect consumer choice and aftermarket competition. Should Chamberlain prevail on its DMCA claim, producers of consumer goods will be able to assert control over who can sell aftermarket parts for their products and which aftermarket products their customers can use, even when the customers have not agreed to restrictions on their uses of the consumer good at issue. Competition cannot flourish under these conditions, and it is consumers who will pay the price—literally.

History illustrates, and courts have long acknowledged, that consumers benefit from fully functioning markets. As one court noted with respect to the telephone equipment market, “[t]he American economic system proceeds on the basis of the assumption . . . that competition is far more likely to lead to the production of more and better products and their distribution to consumers at affordable prices than a market dominated by a monopoly.” *United States v. Western Elec. Co.*, 714 F. Supp. 1, 4 (D.D.C. 1988). Yet, firms often attempt to leverage existing rights to control other markets, including markets in interoperable aftermarket products; courts have repeatedly stepped in to stop unscrupulous

producers from using such tactics. For example, during the height of the AT&T telephone monopoly, consumers were only allowed to use expensive and bulky Bell-authorized telephones when making calls over Bell's telephone lines. *United States v. Western Elec. Co.*, 673 F. Supp. 525, 600-01 (D.D.C. 1987), *aff'd in part, rev'd in part*, 900 F.2d 283 (D.C. Cir. 1990). Since the Bell breakup, the "cost of telephone instruments is down dramatically" and "competition has brought about innovations in telephone features." *Id.* (internal citations omitted).³ It was just these types of consumer harm and inefficiencies that led federal antitrust authorities and the Federal Communications Commission to initiate the Bell

³ The court noted further that:

When the Bell System monopoly had full control, it refused to sell its telephones to consumers, or to permit anyone else to sell them, preferring to charge rentals in the neighborhood of \$5-7 per month or more, for a total in, say thirty years, of over \$2,000. Today, telephone instruments can be purchased in retail stores everywhere for \$25-30 and up. . . . There are now on the market at reasonable prices such by now commonplace features as residential telephones that are able to memorize dozens or hundreds of different phone numbers; telephones that repeat the last number called until it is no longer busy; cellular phones for business and emergency use; cordless phones; instruments that can be instructed by voice (e.g., in an automobile) to call a certain individual, office, or number; and many others. . . .

It is surely not a coincidence that these features, and many more, have become available since the Bell monopoly was ended by divestiture and competition began to reign in the telecommunications marketplace.

Western Elec. Co., 673 F. Supp. at 601, nn.329 & 330.

breakup. *See United States v. Am. Tel. & Tel. Co.*, 552 F. Supp. 131, 195 (D.D.C. 1982), *aff'd sub nom. Maryland v. United States*, 460 U.S. 1001 (1983).

Myriad benefits accrue to consumers from competition in aftermarkets today. The aftermarket for motor vehicle parts, for example, is a \$185 billion dollar industry encompassing independent repair shops, replacement parts manufacturers and retailers, and producers of interoperable car accessories. Industry Trends, Automotive Aftermarket Industry Association (AAIA) website, *at* http://web.archive.org/web/20030422070831/www.aftermarket.org/Masthead/About_AAIA/market.asp (archived on April 20, 2003). The existence of a robust aftermarket provides consumers with choices for repairs or parts. *Id.* Competition in these markets keeps prices down and encourages producers to develop new, innovative products. *See id.*

Under Chamberlain's reading of the DMCA, however, all competition in this market could come to a halt. Taking a hint from Chamberlain's insertion of a "rolling code" system into its garage door openers, automakers could easily retool tires, wiper blades, and oil filters to include an inexpensive chip running a simple authentication program. The program—similar to that used by Chamberlain in its garage door openers—would reject replacement parts if they do not send an authorized signal to the chip. Thus, any third party aftermarket producer of replacement parts seeking to create interoperable products would have to build

such a signal into their own equipment in order to make it interoperable with the original product. Without the authorized signal, the replacement part would be useless. Yet incorporating such a signal, according to Chamberlain, is a violation of the DMCA. Consumers and aftermarket producers are left with a no-win situation.⁴

The list of markets potentially affected by this case is endless. Aftermarket “universal” remote controllers for any product, such as those for televisions and stereo equipment, provide an obvious example. Manufacturers could simply include an authentication algorithm on the computer chips already in their remote controllers and televisions to prevent access by competing or universal remotes. *See Universal Electronics, Inc. v. Zenith Electronics Corp.*, 846 F. Supp. 641 (N.D. Ill. 1994), (rejecting effort by Zenith to use patent law to prevent universal remotes from interoperating with Zenith TVs). Indeed, universal remotes already must be programmed with the correct code for a particular brand of television in order to work. This consumer use has always been considered permissible, but if others follow Chamberlain’s reasoning, a consumer may find herself prohibited from

⁴ This would not be the only secondary effect of a finding for Chamberlain; even the fear of lawsuits may discourage development and introduction of new products. Even if enterprising start-ups are willing to face the risk, investors may be reluctant to fund beneficial new technologies that face possible legal threats. Katie Dean, *Summit: DMCA Blocks Tech Progress*, Wired News, Feb. 20, 2003, at <http://www.wired.com/news/digiwood/0,1412,57740,00.html>.

legally programming her cable television remote to control the volume on her television unless she was willing to pay a higher price for an “authorized” universal remote. And because each of her electronic devices (stereo, television, VCR, cable, etc.) could each be designed with access controls, she may be unable to find a single remote that could legally control all components. Just as a homeowner who has installed different producers’ garage door openers in each of his primary and vacation homes might be driven to replace his non-Chamberlain garage door opener so that he can access both houses with the same remote, the television remote buyer may be driven to purchase all of her components from one producer.

Other consumer electronics producers could exert similar control over their aftermarkets. Camera makers could ensure that consumers only bought licensed film—at a hefty markup—by simply including an inexpensive microchip in its cameras. Similarly, computer manufacturers could prevent consumers from buying keyboards, monitors, or other peripherals from third parties.⁵ Mobile phone makers could prevent the use of generic replacement batteries, ring tones, or hands-free devices. The entire consumer electronics industry could evolve to protect the major producers at the expense of competition, harming consumers and

⁵ These products often already contain bits of computer code; a little additional effort could ensure that the processor could reject a non-brand mouse or set of speakers without notice to, or acceptance by, the consumer.

smaller competitors. And as technology evolves, embedded tags and programming could be applied to any and all kinds of goods—clothing, furniture, and equipment of all sorts.

These examples are not just hypothetical; the capabilities to implement these examples already exist or can easily be developed.⁶ Most companies have intense economic incentives to protect their markets from competition, and these incentives will encourage adoption of the technologies and legal strategies outlined above should courts endorse DMCA claims like Chamberlain’s. Many successful producers earn brand loyalty through good service, better products, and competitive pricing. Unfortunately, history provides ready examples of companies who would rather force brand loyalty on customers than earn it. *See United States*

⁶ Embedded chips that run the simple authentication protocols used by Chamberlain are increasingly tiny and inexpensive. For example, a 1999 CalTech report pointed out that “Today, chips the size of a fingernail are able to process data many times faster than the room-sized mainframes from the early days of computing. And these chips have been utilized in virtually every area of human life. From medical devices to automobiles . . . embedded chips have become an essential part of modern life.” California Inst. Of Tech., *How Caltech is Preparing for the Millennium Bug*, available at <http://pr.caltech.edu/periodicals/OnCampus/articles/1999/99.10.y2kbug.html> (last visited Apr. 6, 2004). And *The Economist* noted in 2001 that identification chips (so-called “Radio Frequency Identification Tags”) had come down in price to about 16 cents). *No hiding place for anyone*, *The Economist* (Sept. 20, 2001), available at http://www.economist.com/displayStory.cfm?Story_ID=779580. The chips cited by *The Economist* could at the time do little more than transmit a unique identification number, *see id.*, but, as described by Chamberlain, this is functionally similar to the action performed by the garage door opener remotes at issue in this case. Appellee’s Br. at 5.

v. Western Elec. Co., supra. Should Chamberlain succeed in turning the DMCA into a lever to ensure “loyalty,” the long-term effects for consumers would be devastating.

B. Chamberlain’s Attempt to Leverage the DMCA to Limit Competition Would Result in Consumer Harms Similar to Those Caused by Traditional Intellectual Property Misuses and Anticompetitive Behavior.

Consumers Union believes, as all parties likely do, that consumers benefit from intellectual property grants to producers. *See, e.g., Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (“The immediate effect of our copyright law is to secure a fair return for an ‘author’s’ creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good.”). For this public benefit to accrue, however, intellectual property rights must not be abused—for instance, by misusing such rights to deny consumers access to interoperable goods. *Cf. Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 160-61 (1989) (describing benefits of interoperability); *See Sega Enters. v. Accolade, Inc.*, 977 F.2d 1510, 1524 (9th Cir. 1992) (“In any event, an attempt to monopolize *1524 the market by making it impossible for others to compete runs counter to the statutory purpose of promoting creative expression and cannot constitute a strong equitable basis for resisting the invocation of the fair use doctrine.”); Pamela Samuelson & Suzanne Scotchmer, *The Law and Economics of Reverse Engineering*, 111 Yale L.J. 1575, 1590 (2002) (noting that protection for

interoperability “has a salutary effect on price competition and on the dissemination of know-how that can lead to new and improved products”).

Courts have accordingly disapproved when producers attempt to use intellectual property rights in an overreaching manner at the expense of consumers. Until the Fifth Circuit stopped the practice, a software company with a heavily-invested consumer base tried to force buyers of its software to also buy its hardware components. *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 793 (5th Cir. 1999); *see also qad. inc. v. ALN Assoc., Inc.*, 781 F. Supp. 561, 564-65 (N.D. Ill.), *aff’d in part, dismissed in part*, 974 F.2d 834 (7th Cir. 1992) (refusing to enforce plaintiff’s copyright based on misuse in an infringement suit). Another software maker attempted to leverage its trademark rights to prevent competitors from developing interoperable software. *See Sega*, 977 F.2d 1510 at 1527-28, 1532 (dismissing Sega’s copyright and trademark claims as illegitimate intrusions on Accolade’s right to create interoperable products). And the Supreme Court found that a salt-tablet machine patentee’s requirement that its customers use only its salt was grounds for invalidating the patent. *See Morton Salt Co. v. G.S. Suppinger Co.*, 314 U.S. 488, 491 (1942). These intellectual property “misuse” doctrines evolved out of economic concerns that inappropriate use of intellectual property rights stifles competition and inhibits the very innovation intellectual property laws and free markets were intended to encourage. *See id.* at 492.

The potential for consumer harm in this case is similar to that caused by traditional intellectual property misuse and anticompetitive behavior. Chamberlain’s assertion of the DMCA’s anti-circumvention provisions is simply the newest effort of a producer to utilize statutory rights in an unintended manner to lock out competition. Chamberlain, like monopolists and intellectual property misusers before it, is attempting to leverage a statutory right to gain control of a peripheral market.⁷ Chamberlain’s customers, having invested in Chamberlain’s devices, cannot cheaply switch to a new garage door opener when they lose a remote controller or need to buy an extra one. If no other producer can compete in the aftermarket for remote controllers, then Chamberlain can take advantage of its captive customers as Bell did with telephone users, *see Western Elec. Co.*, 673 F. Supp. at 600-01, or as software makers have done with buyers of their software. *See Alcatel*, 166 F.3d at 793. Further, consumers often choose aftermarket products because of additional features—often in addition to lower prices—that are simply not available with the core product. The illegitimate market power

⁷ Chamberlain’s claim also evokes the “leveraging” problem in antitrust law, which is related to the misuse doctrine in patent and copyright. In antitrust cases, courts have held that a producer violates the law by illegitimately “leveraging” power over its customer base in order to induce customers to buy another product they would not otherwise buy. *Jefferson Parish Hospital Dist. No. 2 v. Hyde*, 466 U.S. 2, 14 n.20 (1984). *See also* Mark R. Patterson, *When Is Property Intellectual? The Leveraging Problem*, 73 S. Cal. L. Rev. 1133, 1136 (2000).

Chamberlain would gain from its claim threatens healthy competition, innovation, and product interoperability.

II. THE DISTRICT COURT’S RULING ON AUTHORITY ACCORDS WITH PREVIOUSLY ESTABLISHED DOCTRINES THAT PROTECT COMPETITION.

In ruling on the case below, the District Court found that consumers that when consumers purchase a consumer product like a garage door opener, they are implicitly authorized to also purchase any aftermarket products they want to use with that product, such as a universal garage remote. *See Chamberlain*, 292 F. Supp. 2d at 1042-43 (also noting the ITC’s similar finding). In the absence of an sale explicitly and contractually conditioned on giving up this “authority, ” consumers should be able to access their products in any way they wish. This reasoning is not only supported by a common sense reading of the DMCA, but as outlined above, by the well-established history of consumer competition policy. Consumer choice drives both innovation and competition, goals that Congress has continuously emphasized when passing legislation such as the DMCA. *See infra* Part III.

Such goals have also been preserved and defended in other doctrines governing intellectual property laws. When faced with similar threats to after-market competition and consumer choice, courts have consistently rejected claims

such as Chamberlain's in favor of consumer rights. Examples include the doctrines of patent exhaustion, implied license, and misuse.

A. The Doctrine of Patent Exhaustion Promotes Consumer Choice and Aftermarket Competition.

In the patent context, this Court's caselaw on patent exhaustion counsels against adopting Chamberlain's argument that consumers are not authorized to use Skylink's aftermarket remotes to activate their garage door openers. Appellant's Br. at 29-40. This Court has repeatedly held that intellectual property owners who engage in unconditional sales of patented devices exhaust all right to control the purchaser's use of the device thereafter.⁸ Thus, once a device is purchased, multiple companies (including the patent holder) compete for consumer loyalty in aftermarket products, spurring innovation and lowering prices.

Here, Chamberlain is also attempting to impermissibly enforce its rights beyond the point of sale of the garage door opener. There is no evidence in the record that Chamberlain notified its customers that the sale of its openers was explicitly conditioned on restricted post-sale purchases. *Cf. Jazz Photo Corp. v. ITC*, 264 F.3d 1094, 1108 (Fed. Cir. 2001) (in order to qualify as a "conditional sale," conditions must be part of an enforceable contract); *Hewlett-Packard Co. v.*

⁸ *B. Braun Medical, Inc. v. Abbott Labs*, 124 F.3d 1419, 1426 (Fed. Cir. 1997); *Hewlett-Packard Co. v. Repeat-o-Type Stencil Mfrg.*, 123 F.3d 1445, 1453-54 (Fed. Cir. 1997).

Repeat-o-Type Stencil Mfg. Corp., 123 F.3d 1445, 1453 (Fed. Cir. 1997) (patentee “cannot use the patent laws to impose restrictions on the cartridge’s use after selling them unconditionally”). Therefore, Chamberlain has no right to control use of the product post-sale.⁹

Nonetheless, Chamberlain is attempting to lock consumers in to its product, hoping to restrict consumer choice and prevent a functioning aftermarket from forming. If successful, the potential for harm here is even greater than in the patent context—patent protection is limited by the prerequisites of invention, novelty, and non-obviousness, and is further limited by its 20 year expiration date. Rights under the DMCA are not subject to these careful limiting principles. If this Court allows Chamberlain to use the DMCA to control purchases of the remote controls at issue here, Chamberlain will have obtained more control over aftermarkets than this Court allows patent holders under Title 35. It certainly was not the intent of Congress to have the DMCA, with its lack of novelty requirements or temporal limitations, grant rights more exclusive and far-reaching than those granted by the patent laws.

⁹ For this reason (among others), this case is distinguishable from *Lexmark Int’l, Inc. v. Static Control Components, Inc.*, 253 F.Supp.2d 943 (E.D. Ky. 2003). In that case, the court found that consumers *had* entered into an agreement via a “shrinkwrap” license that restricted use of aftermarket products sold by third parties. *Id.* at 948.

B. The Doctrine of Implied License Also Promotes Consumer Choice and Aftermarket Competition.

Patent law also promotes consumer choice and aftermarket competition policy through the doctrine of implied license. For example, in *Universal Electronics v. Zenith Electronics*, a patent holder sued the manufacturer of television remote controls over a universal remote, essentially the functional equivalent of the Skylink device in this case. *Universal*, 846 F.Supp. at 643. The complaint alleged that Universal induced and contributed to end user infringement by selling a remote that could be used by the patented TV remote system. *Id.* at 644.

The court granted judgment for Universal. It held that in order for Universal to be liable, Zenith's own customers must be liable for direct infringement. *Id.* at 645. Thus, the issue was "whether Zenith's television set customers are 'unauthorized' in their use of the ... patent, when the patented remote control system in the Zenith television set is 'used' through the Universal remote transmitter." *Id.* Analyzing the facts, the court found that by making unrestricted sales of televisions to its customers, Zenith had given the customers "authorization" or an implied license to use the patented method. *Id.* at 646. To support this finding, it cited to *Met-Coil Sys. Corp v. Korners Unlimited, Inc.*, 803 F.2d 684 (Fed. Cir. 1986), which held "[a] patent owner's unrestricted sale of a machine useful only in performing the claimed process and producing the claimed

product ‘plainly indicate that the grant of a license should be inferred.’ ” *Id.* at 687.

Here, as in *Zenith* and *Met-Coil*, Chamberlain has made an unrestricted sale of its garage door opener. Also, here as in those cases, the device at issue is useful only when performing the process at issue. According to Chamberlain, one cannot open one’s garage door without activating the software inside Chamberlain’s opener. Appellant’s Br. at 7. Moreover, consumers here have the same rights that they did in *Zenith* and *Met-Coil* –by purchasing a product without restriction from an authorized distributor, they have a choice of how to use that product and what aftermarket products to use with it. Thus, the doctrine of implied license supports the underlying policy objectives of consumer choice and aftermarket competition.

C. The Doctrine of Misuse Also Supports The Goals of Consumer Choice and Aftermarket Competition.

Finally, these policy goals of choice and competition are also supported by the doctrines of copyright and patent misuse. As discussed above in Part I.B, the harms that befall consumers when traditional intellectual property rights are misused are likely to occur with misuses of the DMCA, as well. The traditional test for misuse has been when an intellectual property owner “leverag[es] their limited monopoly to allow them control of areas outside their monopoly.”¹⁰ For

¹⁰ *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 350 F.3d 640 (7th Cir. 2003); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1026-27 (9th Cir.

example, in *Practice Management v. American Medical Association*, the Ninth Circuit held a copyright owner guilty of misuse for seeking to prohibit a licensee from using any goods in competition with the copyright owner's goods. *Practice Management*, 121 F.3d at 520-21. The court first noted that the "plain language" of the defendant's license required the licensee to use the defendant's copyrighted coding system and no other.¹¹ It then observed that this limitation "offends the copyright misuse doctrine," and held that "conditioning the license" on the licensee's "promise not to use competitors' products constituted a misuse of the copyright."¹² The Court then refused to enforce the copyright, because the misuse "gave the [copyright owner] a substantial and unfair advantage over its competitors."¹³ The same principles apply in the context of patent misuse. *E.g.*, *Mercoïd Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 666 (1944) (noting that, in the absence of the patent misuse doctrine, "the mere act of the patentee could make

2001); *see Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 792-95 (5th Cir. 1999); *Practice Mgmt. Information Corp. v. Am. Med. Ass'n*, 121 F.3d 516, 520-21 (1997), *amended*, 133 F.3d 1140 (9th Cir. 1998); *DSC Communs. Corp. v. DGI Techs., Inc.*, 81 F.3d 597, 601-02 (5th Cir. 1996); *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 976-79 (4th Cir. 1990); *United Tel. Phone Co. of Mo. v. Johnson Pub. Co., Inc.*, 855 F.2d 604, 612 (8th Cir. 1988).

¹¹ *Practice Mgmt. Information Corp. v. Am. Med. Ass'n*, 121 F.3d 516, 520-21 (9th Cir. 1997).

¹² *Id.* at 521.

¹³ *Id.*

the distinctive claim of the patent attach to something which does not possess the quality of invention”).

Chamberlain’s misuse clearly runs afoul of the policy behind these doctrines. By seeking to expand its statutory rights so that its customers are prohibited from using competitors’ products, it is attempting to secure the same “substantial and unfair advantage over its competitors” that was outlawed in *Practice Management*. Such practice is not the policy of Congress, and should not be the policy of this Court.

III. THE DMCA WAS INTENDED TO PROTECT INTEROPERABILITY, COMBAT DIGITAL PIRACY, AND ENCOURAGE DIGITAL DISTRIBUTION OF CREATIVE CONTENT, NOT TO CREATE MONOPOLIES OVER AFTERMARKETS.

From its very inception, the legislation which developed into the DMCA was aimed primarily at stimulating the creation and distribution of creative digital content. The World Intellectual Property Organization Copyright Treaty, which was the impetus behind the DMCA, sought to protect the “plethora of works [that] will be distributed and performed over the Internet.” H.R. Rep. No. 105-551 Part 1 at 10. Commentators have firmly concluded that combating Internet piracy and encouraging digital distribution of creative works were the primary goals behind § 1201. *See, e.g.,* 3-12A *Nimmer on Copyright* § 12A.04 (2003); Samuelson & Scotchmer, *Reverse Engineering*, *supra* at 1634-1638. Indeed, Congress was

“repetitious” on this point. Dan L. Burk, *Anticircumvention Misuse*, 50 UCLA L. Rev. 1095, 1135 (2003). As the Second Circuit noted: “Fearful [of] the ease with which pirates could copy and distribute a copyrightable work in digital form . . . , Congress sought to combat copyright piracy in its earlier stages, before the work was even copied.” *Universal City Studios, Inc. v. Corley*, 273 F.3d 429, 435 (2d Cir. 2001). Yet, Chamberlain makes no claim that it implemented its garage-door opener system for the purpose of thwarting illicit reproduction of its copyrighted content—in fact, Chamberlain does not complain of direct, contributory, or vicarious copyright infringement at all. *See* A1615-1617.

In passing the DMCA, Congress intended to encourage the distribution of digital content, which increases options for consumers. The Senate Judiciary Committee hoped that § 1201 would “facilitate making available quickly and conveniently via the Internet the movies, music, software, and literary works that are the fruit of American creative genius.” S. Rep. No. 105-190, 105th Cong. 2d Sess. at 8 (May 11, 1998). Congress wanted to ensure the “continued growth” of the content industry through these new channels, in the hopes that consumers in the United States and elsewhere would profit along with content owners.¹⁴ *Id.*

¹⁴ The growth of the digital content sector itself was also a goal of the DMCA. Congress pointed out the value of the industry to the American economy and warned of the economic dangers if digital distribution channels stagnated. *See* H.R. Rep. No. 105-551 Part 2, 105th Cong. 2d Sess. at 22 (July 22, 1998); S. Rep. No. 105-190 at 10.

Enforcement of § 1201 to protect Chamberlain’s code in the absence of any threat of piracy would not open up new markets or increase consumer choice; on the contrary, it would likely to shut down competition in the market for replacement or universal remote controllers and limit the choices of consumers. Chamberlain’s claim thus strays from Congressional intent in both the characteristics of the copyrighted work at issue and in the goals of the application. During the recent § 1201(a)(1)(C) rulemaking held by the U.S. Copyright Office, copyright law expert Professor Jane Ginsburg noted in her testimony that the DMCA was never intended to protect the aftermarket for products like “ballpoint pen cartridges, printer cartridges, garage doors and so forth.” Transcript, Anti-Circumvention Rulemaking Hearing before the U.S. Copyright Office, May 9, 2003, at 46.¹⁵

Congress not only lacked any desire to extend anti-circumvention protection to software processes in consumer goods like Chamberlain’s, but it openly expressed fear that the provision might be abused. “[G]iven the unfortunate proclivity of some in our society to file spurious lawsuits,” noted House Commerce Committee Chairman Tom Bliley (D-Va.), “I don’t want there to be any misunderstanding about the scope of this legislation, especially the very limited

¹⁵ Once again, the *Lexmark* case is distinguishable because, even though *Lexmark* involved printer cartridges, the court also found that the defendant in that case had committed copyright infringement of the software within the cartridges. 254 F.3d at 965 Here, there is not even an allegation of infringement of any kind, let alone a finding of such.

scope of the device provisions in Title I” 144 Cong. Rec. E 2136 (re-introducing the DMCA legislation to the House floor and describing the import of the limiting amendments and additions—all of which were accepted—made by the Commerce Committee). To give legal voice to such concerns, the Commerce Committee delayed the effective date of the anti-circumvention provisions for two years, § 1201(a)(1)(A), provided a means for the Copyright Office to review the bounds of anti-circumvention to help stop misuse, § 1201(a)(1)(B), and most importantly added specific exceptions to § 1201 to allow for the development of interoperable software and other pro-consumer activities such as educational uses and encryption research. § 1201(d)-(g). These safeguards and exemptions demonstrate Chairman Bliley’s concern: the DMCA should not countenance parties who file suit under § 1201 to block legitimate competition rather than to protect digital content from piracy. *See* 144 Cong. Rec. E 2136.

In sum, Congress passed the anti-circumvention provisions of the DMCA to combat Internet piracy and to encourage the growth of the digital content industry. *Corley*, 273 F.3d at 435. Lawmakers never intended the DMCA to stifle innovation and leverage control over peripheral markets. While consumers can benefit from the availability of digital content encouraged by the DMCA, claims such as Chamberlain’s reveal that misusing the DMCA is a tempting strategy for some producers.

CONCLUSION

For the foregoing reasons, *amicus curiae* Consumers Union respectfully requests that this Court uphold the District Court's grant of summary judgment in favor of appellee Skylink.

Dated: April 7, 2004

Respectfully Submitted,

By: _____
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I certify, pursuant to Federal Rule of Appellate Procedure 32(a)(7)(C) that this brief has been prepared in compliance with Federal Rule of Appellate Procedure 32(a)(7)(B), using a proportional Times New Roman font and 14-point type. The brief was prepared using Microsoft Word 2000, and according to that system's word count function contains 5,447 words, including headings and footnotes.

Dated: April 7, 2004

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I hereby certify that a true and correct copy of BRIEF OF AMICUS CURIAE CONSUMERS UNION IN SUPPORT OF APPELLEE, was duly served upon counsel for Plaintiff-Appellant, The Chamberlain Group, Inc., Defendant-Appellee, Skylink Technologies, Inc., and *Amicus Curiae* Computer & Communications Industry Association by forwarding two copies each via overnight courier addressed to:

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