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Articles

THE EVOLVING INTERPLAY OF PATENT RIGHTS AND ANTITRUST RESTRAINTS IN THE FEDERAL CIRCUIT

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**I. Introduction**

While there has been a warming trend in the relationship between the patent and antitrust laws, as evidenced by the promulgation of the 1995 Antitrust Guidelines for the Licensing of Intellectual Property ("Antitrust Guidelines"), issued jointly by the Department of Justice and the Federal Trade Commission \*138 (FTC),<sup>1</sup> it would be inaccurate to say they are really friends. Indeed, it is doubtful that they will ever be friends in the conventional sense of the word, because an inherent tension exists between the assertion of patent rights and the restraints that antitrust imposes on any bundle of patent rights.<sup>2</sup> The Chairman of the FTC recently made this point in a positive way in a speech to the American Antitrust Institute:

[T]he history of the last 110 years has treated antitrust and intellectual property as complementary regimes, both designed to encourage innovation within appropriate limits. As a matter of policy, we are comfortable rewarding innovation through patents and copyrights so long as the compensation is not

significantly in excess of that necessary to encourage investment in innovation, and the market power that results is not used to distort competition . . . .<sup>3</sup>

The clear import of this message is that the allocational dividing line between patent rights and antitrust restraints must balance the necessary encouragement of innovation with the need to prevent the distortion of competition. This is a more moderate statement of the venerable antitrust principle that the bundle of rights granted the patent owner should be no greater than those necessary to call forth the innovation.

While this “warming” trend is evident in the Antitrust Guidelines<sup>4</sup> and elsewhere,<sup>5</sup> a “warning” trend is evident in a number of recent decisions by the Federal Circuit, a court created primarily to handle all patent appeals.<sup>6</sup> These recent decisions find the court concluding that it should develop the principles governing the relationship between patent rights and antitrust restraints instead of looking to antitrust precedents in the appropriate regional circuits. As one might imagine, these decisions affect antitrust law in a fundamental way because they involve transferring the responsibility for developing or clarifying the governing principles of antitrust laws that are to be followed by the district courts in cases involving patent enforcement issues.<sup>7</sup> Some think this shift of jurisdiction or choice of law responsibility over patent related antitrust principles to the Federal \*139 Circuit turns this “venerable principle” on its head.<sup>8</sup> Instead of patent rights being circumscribed by core antitrust principles, the fear is that the Federal Circuit will emasculate the patent-antitrust interface by taking too liberal a view of the bundle of rights granted to the patent owner when antitrust principles are involved.<sup>9</sup>

## II. The Federal Circuit’s Jurisdiction Over Patent Appeals and Related Antitrust Restraints

### A. The Creation of the Federal Circuit and the Basis for Its Exclusive Jurisdiction Over Patent Appeals and Original Jurisdiction Over Related Claims of Unfair Competition

When the Court of Appeals for the Federal Circuit was created by the Federal Courts Improvement Act of 1982 (“FCIA”)<sup>10</sup> to handle all appeals from district courts involving patents, the court was to develop of a uniform body of law relating to patents.<sup>11</sup> The varied and often inconsistent decisions by the regional courts of appeals had led to widespread forum-shopping by litigants.<sup>12</sup> Insofar as its patent jurisdiction was concerned, the Federal Circuit was limited to those areas of law in which Congress believed there was a special need for uniformity throughout the United States.<sup>13</sup> It is worth noting that antitrust restrictions on the exercise of patent rights was not one of the areas assigned to the new court.

In *Handgards, Inc. v. Ethicon, Inc. (II)*,<sup>14</sup> the Ninth Circuit had occasion to discuss at length the nature of the Federal Circuit’s jurisdiction under the FCIA.<sup>15</sup> The Ninth Circuit had occasion to do so because *Handgards, Inc. v. Ethicon, Inc. (I)*,<sup>16</sup> was decided before the Federal Circuit was created, but *Handgards II* came before the Ninth Circuit on appeal after the establishment of the Federal \*140 Circuit.<sup>17</sup> The Ninth Circuit, in holding that it had jurisdiction to decide the second appeal, discussed the legislative history behind the creation of the Federal Circuit with particular emphasis on the legislative intent relating to jurisdiction.<sup>18</sup> The establishment of the new Federal Circuit was intended “to promote predictability, uniformity, and the efficient administration of patent law.”<sup>19</sup> The Federal Circuit was granted exclusive jurisdiction over appeals from final decisions of a district court of the United States if the district court jurisdiction was based “in whole or in part” on 28 U.S.C. Section 1338, the statute granting district courts jurisdiction over civil actions relating to patents, plant variety protection, copyright, and trademarks.<sup>20</sup> The court interpreted “in whole or in part” to mean cases that arise under federal law.<sup>21</sup> The Ninth Circuit then concluded that the district court had jurisdiction over the *Handgards II* case because the entire proceeding was based on antitrust law and not on Section 1338,<sup>22</sup> even though the district court determined the validity of the patent at issue.<sup>23</sup>

Not long after the Ninth Circuit accurately determined the governing restrictions on the jurisdiction of the new Court of Appeals for the Federal Circuit in *Handgards II*, the Federal Circuit decided *Atari, Inc. v. J.S. & A. Group, Inc.*<sup>24</sup> The Federal Circuit had to consider its jurisdiction to review a copyright infringement claim that was originally in a complaint also containing a claim for patent infringement.<sup>25</sup> Since 28 U.S.C. Section 1295(a) gave the court jurisdiction over appeals of cases in which the trial court’s jurisdiction was based “in whole or in part” on the patent laws, the Federal Circuit took jurisdiction over the appeal of the nonpatent claim.<sup>26</sup> However, in doing so, it properly determined that the statute establishing the Federal Circuit required the court to apply the law of the circuit where the case originated as to the nonpatent claims before it.<sup>27</sup> The *Atari* court (in an en banc opinion by Chief Judge Markey), made clear that it understood Congress’ expectation that the

Federal Circuit would not usurp the substantive jurisdiction of the regional courts over nonpatent claims.<sup>28</sup> Therefore, in Atari the \*141 court followed the established law of the Seventh Circuit as if the parties had presented their nonpatent claim to a district court in the Seventh Circuit.<sup>29</sup>

## B. The Federal Circuit's New Approach to the Applicable Choice of Law on Antitrust Issues

Soon after Atari, in which the Federal Circuit went to great lengths to confirm its duty to apply regional circuit law to the district court's judgment involving antitrust law,<sup>30</sup> the Federal Circuit confirmed in Loctite Corp. v. Ultraseal Ltd.<sup>31</sup> that “[w]e must approach a federal antitrust claim as would a court of appeals in the circuit of the district court whose judgment we review.”<sup>32</sup> The court followed this same rule in Cygnus Therapeutic Systems v. ALZA Corp.<sup>33</sup>

Despite this recognition that its statutory mandate did not allow it to construct its own view of the core antitrust principles that might impact patent law, the Federal Circuit has encroached on some substantive areas of law that should have been beyond its jurisdiction before 1997. For example, in Pro-Mold & Tool Co. v. Great Lakes Plastic, Inc.,<sup>34</sup> citing Chrysler Motors Corp. v. Auto Body Panels of Ohio, Inc.,<sup>35</sup> also a Federal Circuit decision, the court held as a matter of Federal Circuit law that an allegation of inequitable conduct in the prosecution of a patent application cannot support a federal unfair competition claim under Section 43(a) of the Lanham Act.<sup>36</sup>

While the question of whether inequitable conduct has occurred in the prosecution of a patent application seems to be properly within at least the non-exclusive jurisdiction of the Federal Circuit, whether a finding of inequitable conduct by the Federal Circuit should foreclose a Section 43(a) action has nothing to do with patent law. It has everything to do with the general reach of Section 43(a)—a question not within the exclusive substantive jurisdiction of the Federal Circuit<sup>37</sup> nor one that it should construct Federal Circuit law to decide. After all, not everything that touches patent law should be deemed swallowed up by the exclusive jurisdiction of the Federal Circuit. If everything that impacts the Federal Circuit jurisdictional mandate becomes the governing principle, it will be akin to Jonah swallowing the whale. It should clearly be *ultra vires*. While Congress intended to have the Federal Circuit exercise exclusive jurisdiction over patent \*142 issues pursuant to Section 1295(a), it did not intend for the Federal Circuit to exercise jurisdiction over all substantive law issues that might be before the court due to Section 1338(b). In Atari, Inc. v. J.S. & A. Group, Inc., for example, after noting Congress' acknowledgement of a concern that FCIA opponents had that “joinder of a patent claim in a case whose gravamen is antitrust should not be permitted to avail a plaintiff of the jurisdiction of the Federal Circuit in the avoidance of the traditional jurisdiction and governing legal interpretation of a regional court of appeals,” the court wrote that

Congress' passage of the FCIA, in light of the foregoing history, reflects its expectation that this court would not appropriate or usurp for itself a broad guiding role for the district courts beyond its mandate to contribute to uniformity of the substantive law of patents, plant variety protection, and the Little Tucker Act.<sup>38</sup> The court went on to make it even clearer:

In the present case, JS & A could escape the governing circuit law, and this court could engage in “self-appropriation” only if in considering the appeal this court were to refuse to look to the discernible and established law of the Seventh Circuit governing the fact pattern giving rise to the appealed injunction order. No reason exists for this court to follow that disruptive course in this case. As discussed in section (6) below, the workings of the entire federal judicial system, as well as the concern for “self-appropriation” recognized by Congress, supply excellent reasons not to do so here. An even more compelling reason, as indicated in section (7) below, is that following either of those courses would make impossible this court's compliance in this case with all the intents expressed by Congress in creating this court.<sup>39</sup>

The court in Nobelpharma AB v. Implant Innovations, Inc.,<sup>40</sup> in an en banc decision, used the expansive Pro-Mold concept to shift the substantive interpretation of antitrust laws impacting its exclusive patent jurisdiction from the regional courts of appeal to the substantive, choice of law jurisdiction of the Federal Circuit.<sup>41</sup> The court expanded its jurisdiction to determine whether immunity from the antitrust laws may be stripped by conduct that occurred during patent prosecution.<sup>42</sup> The court rationalized its expanded exclusive jurisdiction over the choice of law vis a vis antitrust precedents by noting that:

[A]n antitrust claim premised on stripping a patentee of its immunity from the antitrust laws is typically raised as a counterclaim by a defendant in a patent infringement suit. Because most cases involving these issues will therefore be appealed to this court, we conclude that we should decide these issues as a matter of Federal Circuit law, rather than rely on various regional precedents. We arrive at this conclusion because we are in the best position to create a uniform body of federal law on this subject and thereby avoid the \*143 “danger of confusion [that] might be enhanced if this court were to embark on an effort to interpret the laws” of the regional circuits.<sup>43</sup>

The court expressed its intent to apply this ruling to all antitrust claims raised during a patent infringement suit and it expressly overruled the contrary holdings of *Atari* and *Cygnus*.<sup>44</sup> However, the court pledged to continue applying the appropriate regional circuit law to antitrust issues that were not deemed related to the Federal Circuit's exclusive jurisdiction, i.e., not unique to patent law.<sup>45</sup>

The *Nobelpharma* decision involved a Sherman Act Section 2 claim based on the failure of the plaintiff to disclose to the examiner a prior art book of which the plaintiff was fully aware prior to and during the prosecution of the application that became the patent in suit.<sup>46</sup> The book was found to disclose the invention claimed in the patent in suit.<sup>47</sup> In affirming the district court's finding of a Section 2 violation, the Federal Circuit relied on the Supreme Court's decision in *Walker Process Equip. Inc. v. FMC Corp.*,<sup>48</sup> as well as a number of its own decisions.<sup>49</sup> Significantly, the Federal Circuit cited its own decision in *Korody-Colyer Corp. v. General Motors Corp.*<sup>50</sup> to make the point that "[i]nequitable conduct is thus an equitable defense in a patent infringement action and serves as a shield, while a more serious finding of fraud potentially exposes a patentee to antitrust liability and thus serves as a sword."<sup>51</sup> This is the point of the court's line-drawing. The involvement of the inequitable conduct question as a defense to a patent infringement impacts the exclusive jurisdiction of the Federal Circuit, but when the issue is whether Section 2 fraud is involved, regional circuit law should govern. After all, at the Supreme Court level, *Walker Process* was not a patent case but an antitrust case.

As if *Nobelpharma* was not enough of a violation of the legislative intent respecting the creation of the Federal Circuit, the Federal Circuit in *Midwest Industries, Inc. v. Karavan Trailers, Inc.*<sup>52</sup> took another big step to disenfranchise the regional courts of appeals by declaring that henceforth "[w]e hold that we will apply Federal Circuit law in determining whether patent law conflicts with other \*144 federal statutes or preempts state law causes of action. In so holding, the court overruled, en banc, those decisions in which we have held that regional circuit law governs in resolving such issues."<sup>53</sup>

*Midwest Industries* involved the question of whether defendant Karavan's curved winch post design that infringed two of the plaintiff's design patents violated the plaintiff's trade dress rights under state and federal unfair competition laws.<sup>54</sup> Karavan moved to dismiss the nonpatent claims because one of Midwest's utility patents, which had not been asserted against Karavan, claimed the curved winch post design.<sup>55</sup> The district court ultimately treated the defendant's motion to dismiss as a motion for summary judgment and granted it based on Tenth Circuit law.<sup>56</sup> The Federal Circuit reversed by applying its own law on trade dress rights under Section 43(a) of the Lanham Act.<sup>57</sup> In applying its own law, the court, en banc, overruled *Cable Electric Products, Inc. v. Genmark, Inc.*,<sup>58</sup> *Interpart Corp. v. Italia*,<sup>59</sup> and *Hunter Douglas, Inc. v. Harmonic Design, Inc.*<sup>60</sup> The court concluded that it should apply its own law on questions involving the relationship between patent law and other federal and state law causes of action.<sup>61</sup>

Relying on its own *Pro-Mold* and *Nobelpharma* decisions as illustrations of its "recent approach to such 'mixed' questions of patent and nonpatent law,"<sup>62</sup> the court went on to say that most choice of law questions involving patent law may be resolved by distinguishing between patent issues and nonpatent issues.<sup>63</sup> However, in some cases, this distinction is not clear.<sup>64</sup> The court held that

[A] procedural issue that is not itself a substantive patent law issue is nonetheless governed by Federal Circuit law if the issue "pertain[s] to patent law," if it "bears an essential relationship to matters committed to our exclusive control by statute" or if it "clearly implicates the jurisprudential responsibilities of this court in a field within its exclusive jurisdiction."

\*145 Applying those standards, we have . . . applied our law beyond the limits of substantive patent law and into areas in which the disposition of nonpatent-law issues is affected by the special circumstances of the patent law setting in which those issues arise.<sup>65</sup>

In *Pro-Mold*, defendant Great Lakes Plastics argued that plaintiff had engaged in unfair competition when it filed a claim for patent infringement knowing that its patent was unenforceable. The Federal Circuit held that, although it does not have exclusive jurisdiction over unfair competition claims, its law applies when the claim of unfair competition involves possible inequitable conduct in patent prosecution: "[O]ur law applies to a cause of action over which we do not have exclusive jurisdiction if the question before us is whether that cause of action, as applied in a particular case, is foreclosed by patent law."<sup>66</sup> Likewise, in *Nobelpharma*, the court held that its law would apply to the question of whether a patentee's conduct had antitrust implications because it considered that question to "clearly involve [its] exclusive jurisdiction over patent cases."<sup>67</sup> In summarizing its holdings in both *Pro-Mold* and *Nobelpharma*, the court stated:

In both Nobelpharma and this case, this court was required to address a nonpatent claim and to decide whether that claim was barred by principles of patent law. In Nobelpharma, the court concluded that our responsibilities for developing consistent rules in the field of patent law required that we apply our law to the question whether patent law forecloses another cause of action and, if so, under what circumstances. The same principle would appear to require us to apply our own law in this case, which calls upon us to decide whether any principle of patent law bars Midwest from pursuing its federal or state trademark claims.<sup>68</sup>

The court then explained the conclusion it drew from the analysis of those precedents, concluding that “the rigid division between substantive patent law issues and all other substantive and procedural issues . . . no longer represents this court’s approach to choice-of-law questions in patent cases.”<sup>69</sup> Rather, the court continued, cases like Pro-Mold and Nobelpharma clarified that its responsibility as the court with sole authority over patent appeals required it to go beyond simply applying substantive patent law. In meeting its responsibility to promote uniformity in patent law, the court stated that it was equally important to apply its construction of patent law to the issues of whether and to what extent patent law preempts or conflicts with other causes of action.<sup>70</sup> The alternative, according to the court, would be that, in applying precedent from different regional circuit courts, the court would be forced to hold that in some cases patent law forecloses \*146 certain causes of action while in other cases it does not.<sup>71</sup> Observing that questions of conflict between patent law and other causes of action do arise in other cases over which the Federal Circuit does not have jurisdiction, the court noted that “there is a risk that district courts and litigators could find themselves confronting two different lines of authority.”<sup>72</sup> Nevertheless, the court stated that in order for other courts to benefit from the Federal Circuit’s analysis of the substance and scope of patent law, it cannot “simply follow regional circuit law . . . . Such abdication, we think, would in the end disserve the interest in attaining coherence and consistency in the law relating to patents.”<sup>73</sup>

While the en banc court did its best to justify or rationalize its conversion of nonpatent issues into issues that bear an “essential relationship to matters committed to our exclusive control by statute,”<sup>74</sup> the court failed to come to grips with the clear intent of Congress to not grant the court jurisdiction over nonpatent matters, particularly antitrust issues. In Midwest Industries, the court converted a clear Congressional intent to limit its jurisdiction to patent matters into a discretionary decision to avoid having district courts deal with two competing lines of authority.<sup>75</sup> Moreover, while it sought to justify its action by referring to its interest “in attaining coherence and consistency in the law relating to patents,”<sup>76</sup> that was not the sweep of the job the court was given. Its job was to develop uniformity and consistency in the patent law, not in every law relating to patents.<sup>77</sup>

In an essay focusing partially on the Federal Circuit’s recent decision in *CSU Holdings, Inc. v. Xerox Corp.*,<sup>78</sup> the authors hit the bull’s eye in discussing the question of whether the Federal Circuit’s expanded jurisdiction had any business \*147 making antitrust law.<sup>79</sup> The National Law Journal article had the following to say on the Federal Circuit’s expanded view of its jurisdiction and Congressional intent in establishing the Court of Appeals for the Federal Circuit:

Congress never intended the Federal Circuit to influence the development of antitrust law. In response to criticisms that the “Federal Circuit will appropriate for itself elements of Federal law,” including antitrust law, the Senate Report in 1982 explained: “[M]ere joinder of a patent claim in a case whose gravamen is antitrust should not be permitted to avail a plaintiff of the jurisdiction of the Federal Circuit in avoidance of the traditional jurisdiction and governing legal interpretations of a regional court of appeals.

In other words, substantial antitrust claims were intended to be decided by regional courts of appeals under the “governing legal interpretations” of those courts. The Senate Report cautioned that “it is not the committee’s judgment that broader subject matter jurisdiction is intended for this court. Any additional jurisdiction for the Federal Circuit would require “not only serious future evaluation, but new legislation.” In perhaps the clearest pronouncement of congressional intent, the committee stated that it “intends for the jurisdictional language to be construed in accordance with the objectives of the Act and these concerns.”

The Federal Circuit has provided two reasons for applying its own law to cases involving the intersection of patent and non-patent law: It is “in the best position to create a uniform body of federal law” in this area and it has a duty to provide other courts with “the benefit of our analysis of the substance and scope of patent law” in cases involving the relationship between patent law and other federal and state law rights.

Some commentators argue, however, that the Federal Circuit misconceived its mandate. The purpose of the Federal Circuit

was to “create doctrinal stability in the field of patent law,” not, they assert, to create uniformity in all areas of law in which the Federal Circuit itself determines that it is in the best position to do so. Moreover, the duty the Federal Circuit perceived is arguably contrary to Congress’ desire that the Federal Circuit’s jurisdiction be limited to areas in which Congress determined there was a “special need” for nationwide uniformity.<sup>80</sup>

The Federal Circuit has continued to answer critics of a variety of its decisions, not just those limited to antitrust issues, by saying that it is neither pro-patent nor anti-patent and that it decides appeals and writes opinions based on the applicable statute.<sup>81</sup> If the court is really committed to following the law, then it should not be overreaching its statutory mandate on choice of law questions. The fact that patent subject matter is involved is no justification for making a “power grab” on a wide range of nonpatent laws, including antitrust.<sup>82</sup>

This objection is valid regardless of whether the Federal Circuit decisions determining the applicable nonpatent law in question and how it should be applied have always been right on target. While the objection expressed here is to the court’s jurisdictional preemption of a variety of nonpatent law, it is also a fact that \*148 some commentators have serious quarrels with the court’s judgment as to what the nonpatent law is and how it should be applied where a patent claim is involved. Indeed, a number of critics view the court as too pro-patent to be objectively neutral in deciding where patent rights end and other areas of substantive law begin. The “fox in the hen-house” or the “tail wagging the dog” arguments are no doubt too extreme, but at the antitrust interface, at least, there is a strong belief that it is not only desirable for the regional circuits to set the law but that to do so is required by the FCIA. Of course, not all of the regional circuit courts will agree on how antitrust principles play out in the patent arena, but until Congress decides to give antitrust jurisdiction to a single court of appeals, many members of the antitrust bar do not believe the Court of Appeals for the Federal Circuit can properly assume the role, since, at the very least, antitrust law is so clearly outside the jurisdiction assigned to it by the Federal Court Improvement Act of 1982.

### **III. The Federal Circuit’s Approach to Antitrust Issues as They Relate to Patent Issues**

#### **A. The Problem**

While the question of how well the Federal Circuit has handled situations in which patent law and antitrust principles have crossed paths does not have anything to do with whether the Federal Circuit has jurisdiction over the development of antitrust law, a number of its decisions raise serious questions about the possible bias created when patent rights and antitrust restraints collide. Some of the concern arises because when antitrust is viewed through the lens of patent rights, the core principles of antitrust seem to become blurred.

Without exhausting the subject or attempting to cover all forays of the Federal Circuit into the relationship between patent rights and antitrust restraints, three broad areas are worth discussing because they suggest that the Federal Circuit has been overly generous in assessing the rights that patents provide or create when anticompetitive conduct is in the picture. The areas to be discussed are those that relate to patent misuse, inequitable and fraudulent conduct before the Patent and Trademark Office and the courts, and monopolization issues involving refusals to deal and leveraging.

#### **B. Patent Misuse**

In Windsurfing International, Inc. v. AMF, Inc.,<sup>83</sup> the Federal Circuit took a first step towards addressing allegations of patent misuse.<sup>84</sup> After retrenching a bit in Senza-Gel v. Seiffhart,<sup>85</sup> the court decided Mallinckrodt, Inc. v. Medipart, Inc.<sup>86</sup> \*149 in 1992, which continued the Windsurfing position.<sup>87</sup> In a pair of 1997 decisions, B. Braun Medical, Inc. v. Abbott Laboratories<sup>88</sup> and Virginia Panel Corp. v. MAC Panel Co.,<sup>89</sup> the court made its capture of the misuse defense virtually complete but for a reluctant concession that it had to continue to recognize those *per se* misuse defenses mandated by the Supreme Court.

In Windsurfing, the court indicated what must be shown to establish patent misuse and what was needed to sustain a misuse defense.<sup>90</sup>

[T]he alleged infringer [needs to] show that the patentee has impermissibly broadened the “physical or temporal scope of the patent grant with anticompetitive effect” . . . . To sustain a misuse defense involving a licensing arrangement not held to have

been per se anticompetitive by the Supreme Court, a factual determination must reveal that the overall effect of the license tends to restrain competition unlawfully in an appropriately defined relevant market.<sup>91</sup> Though, as noted, it had expressed its distaste for any per se misuses, the Federal Circuit acknowledged in *Senza-Gel* that it was bound by Supreme Court precedents establishing that a number of practices were per se misuses.<sup>92</sup>

The Mallinckrodt case found the Federal Circuit essentially co-opting the issue of patent misuse. The case involved a shrink-wrap license restriction affixed to the label on a medical device designed to treat respiratory ailments.<sup>93</sup> When sued for patent infringement, the defendant claimed that the sterilization and reuse of the device by hospitals was not an infringement since the first sale doctrine exhausted the patent owner's rights.<sup>94</sup> The Federal Circuit reversed the district court's grant of summary judgment, asserting that the "license" restriction permitted the resale prohibition.<sup>95</sup> It established as the principle for non per se misuses the rule that if the restriction is within the scope of the patentee's rights,<sup>96</sup> there can never be a misuse, and, even if it is determined that anti-competitive effects extend beyond the patentee's right to exclude, the rule of reason should be \*150 used to determine whether such extra-patent restrictions constitute misuse.<sup>97</sup> *Braun Medical* acknowledged that an unconditional sale exhausted the patent rights but held that the patent exhaustion doctrine does not apply when there has been a conditional sale.<sup>98</sup> Additionally, in *Virginia Panel* as well as *C.R. Bard, Inc. v. M3 Systems, Inc.*,<sup>99</sup> the court continued to apply its near impossible hurdle to the establishment of a misuse defense, based on its view of the scope of patent rights in the commercial world and the appropriate considerations if the rule of reason is to be considered and applied.<sup>100</sup> A recent article on patent misuse summed up the Federal Circuit's view by noting that "the Federal Circuit's attitude is likely best illustrated by the fact that in the 1990's, the Federal Circuit has yet to find a patent unenforceable under the misuse doctrine."<sup>101</sup>

### **C. Inequitable and Fraudulent Conduct Before the PTO or the Courts and Bad Faith Enforcement**

In *Nobelpharma*, the Federal Circuit affirmed the district court's refusal to set aside a jury verdict of Walker Process fraud.<sup>102</sup> The jury instruction adequately set out the law on the anti-competitive effect of asserting a patent obtained through knowing and willful fraud as measured by Walker Process.<sup>103</sup> The court also found that the sham requirement of *Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc.*<sup>104</sup> was an alternative way of approaching antitrust liability where a defendant attempted to interfere directly with the business relationships of a competitor.<sup>105</sup> The court, in affirming the finding of fraud, was satisfied that substantial evidence showed that a book disclosing the claimed invention was fraudulently kept from the PTO and that *Nobelpharma* sued the defendant with \*151 knowledge of the fraud.<sup>106</sup> Nevertheless, it made it clear that while a finding of fraud can be used "as a sword," inequitable conduct can only be used "as a shield" to a charge of patent infringement.<sup>107</sup>

In *C.R. Bard, Inc.*,<sup>108</sup> the court affirmed as antitrust violation an attempt to monopolize because Bard had monopoly power in the replacement needle market and, for predatory reasons, it had modified its biopsy gun to prevent its competitor's needles from being used.<sup>109</sup> However, the court rejected findings of fraud on the PTO and misuse.<sup>110</sup> In the original *Nobelpharma AB v. Implants Innovations, Inc.*<sup>111</sup> opinion, which was withdrawn in favor of the *en banc* *Nobelpharma* opinion,<sup>112</sup> one of the reasons given for the proposition that an inequitable conduct allegation could never pass through the "sham" filter of PRE was that to find inequitable conduct, a court must decide materiality and intent to deceive and then balance the two.<sup>113</sup> Since this balancing could not be done until after the fact, it did not slip past the sham obstacle.<sup>114</sup>

In a case involving the threat of an infringement action either by notifying an alleged infringer or publicizing the alleged infringement by notifying customers and issuing press releases, the Federal Circuit applied its own law to an appeal from a preliminary injunction granted against the patent owner in question.<sup>115</sup> In the case in question, *Mikohn Gaming Corp. v. Acres Gaming, Inc.*,<sup>116</sup> the issue of the good or bad faith of the patent owner turned on whether the publicity was legally justified.<sup>117</sup> The court cited *Hunter Douglas v. Harmonic Design*<sup>118</sup> for the requirement to show bad faith.<sup>119</sup> While it is not clear where the court would actually come out on the issue, the opinion in *Mikohn Gaming* noted that dicta in its *Mallinckrodt* opinion to the effect that "[i]nfringement notices have been \*152 enjoined when the patentee acted in bad faith, for example, by making threats without intending to file suit."<sup>120</sup>

### **D. Monopolization Issues Involving Refusals to Deal and Leveraging**

Leaving the most contentious area for last, we now deal with the question of refusals to deal and leveraging in a

monopolization context. This involves the concept of “essential facilities” and leveraging, as well as the problem of standards and interoperability that are often part and parcel of refusals to deal or the licensing of technology. Central to this discussion are the decisions of *Intergraph Corp. v. Intel Corp.*<sup>121</sup> and *In re Independent Service Organizations Antitrust Litigation*,<sup>122</sup> (hereinafter ISO) which both create possible conflicts with the Supreme Court’s decision in *Eastman Kodak Co. v. Image Technical Services, Inc.*<sup>123</sup>

In *Intergraph*, the district court had granted plaintiff *Intergraph* a preliminary injunction after defendant *Intel* refused to continue providing chips and technical product information to *Intergraph* because *Intergraph* had charged *Intel* with patent infringement with respect to some of its own technology but refused to cross-license *Intel*.<sup>124</sup> The district court found that the chips and technical information, which *Intel* had also provided to a number of its other customers, were an “essential facility” in accordance with precedents such as *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*<sup>125</sup> In the district court’s view, the advanced chip samples, design, and technical information were essential products and information that *Intergraph* needed to be able to compete in its market.<sup>126</sup>

In reversing the grant of the injunction, the Federal Circuit found that *Intel* did not compete in the graphical interface workstation market and that no likelihood existed that *Intel* would monopolize this *Intergraph* market.<sup>127</sup> The court went on to debunk the use of the essential facility doctrine in intellectual property cases as \*153 well as all the other reasons advanced by the district court for finding liability.<sup>128</sup> In doing so, the court found nothing wrong with *Intel* leveraging its monopoly power in the microprocessor market to force *Intergraph* to cross-license its patents that it had charged *Intel* with having infringed.<sup>129</sup> In a footnote, the court acknowledged that an FTC consent order entered into by *Intel* was reported to provide some of the same relief as did the rejected preliminary injunction.<sup>130</sup> However, the court avoided discussing the FTC’s position on the merits of the issue by pointing out that the FTC action was not before it.<sup>131</sup>

In the ISO case, the Federal Circuit again entered the patent/antitrust arena to use the rights granted by the patent law to reject an antitrust claim based on a refusal to deal.<sup>132</sup> CSU Holdings involved a suit by a number of independent service organizations (hence the ISO’s) who charged *Xerox* with refusing to sell or license replacement parts and diagnostic software to them as it had done previously.<sup>133</sup> They alleged that this new policy of *Xerox* prevented them from competing effectively in the relevant service market.<sup>134</sup> *Xerox* argued that ISO’s claims relied on injuries caused simply by *Xerox*’s lawful refusal to license or sell patented parts and copyrighted software.<sup>135</sup> The district court found nothing incorrect about *Xerox*’s position and granted summary judgment, even though *Xerox* patents straddled two separate markets.<sup>136</sup>

The Federal Circuit, in affirming that the ISO’s allegation was not an antitrust violation,<sup>137</sup> declined to follow the remand decision of the Ninth Circuit<sup>138</sup> after the Supreme Court decided *Eastman Kodak Co.*<sup>139</sup> This action by the Federal Circuit caused Chairman Pitofsky of the FTC to suggest that it may distort “the traditional balance between intellectual property and antitrust.”<sup>140</sup> As he explained:

[T]he issue before the court was very similar to that considered by the Supreme Court in 1992 in *Kodak*, where ISOs challenged *Kodak* policies designed to limit the availability of parts to ISOs and to make it more difficult for ISOs to compete with *Kodak* in \*154 servicing *Kodak* equipment . . . . On remand, *Kodak* raised for the first time the argument that its parts enjoyed patent and copyright protection, but the Ninth Circuit rejected that defense on evidence that it was a pretext.<sup>141</sup>

Pitofsky was particularly concerned by the following passage in the *Xerox* case:<sup>142</sup>

We have held that “if a [patent infringement] suit is not objectively baseless, an antitrust defendant’s subjective motivation is immaterial.” We see no more reason to inquire into the subjective motivation of *Xerox* in refusing to sell or license its patented works than we found in evaluating the subjective motivation of a patentee in bringing suit to enforce that same right. In the absence of [1] any indication of illegal tying, [2] fraud in the Patent and Trademark Office, or [3] sham litigation, the patent holder may enforce the statutory right to exclude others from making, using, or selling the claimed invention free from liability under the antitrust laws. We therefore will not inquire into his subjective motivation for exerting his statutory rights, even though his refusal to sell or license his patented invention may have an anticompetitive effect, so long as that anticompetitive effect is not illegally extended beyond the statutory patent grant. It is the infringement defendant and not the patentee that bears the burden to show that one of these exceptional situations exists and, in the absence of such proof, we will not inquire into the patentee’s motivations for asserting his statutory right to exclude. Even in cases where the infringement defendant has met this burden, which CSU has not, he must then also prove the elements of the Sherman Act violation.<sup>143</sup> The Chairman pointed to the more fundamental problems with the ISO/ *Xerox* decision by asking what the Federal Circuit would decide: (1) when a patent holder refused to sell except on condition that the purchaser not buy from a

potential competitor; (2) when a licensor who has a number of licensees cuts off a price-cutter among them and the terminated licensee claims the termination was motivated by a horizontal cartel; or (3) if a patent holder who had misinformed a standard-setting organization as to the existence of any patents refused to license the patent that covered the standard adopted by the organization.<sup>144</sup>

Pitofsky followed up these “suppose questions” by referring to the California district court decision in *Townshend v. Rockwell Int’l Corp.*,<sup>145</sup> in which the defense to the plaintiff’s patent infringement claim was an antitrust counterclaim that asserted not only that the patent was invalid, but that the patented technology was adopted as an industry standard through fraud on a trade association and that the patented standard would only be licensed to competitors if they licensed their technology to the plaintiff.<sup>146</sup> The Townshend district court relied on the Federal \*155 Circuit’s Xerox opinion, among others, to dismiss the antitrust claims.<sup>147</sup> It concluded that since “a patent owner has the legal right to refuse to license his or her patent on any terms, the existence of a predicate condition to a license agreement cannot state an antitrust violation.”<sup>148</sup>

Concluding, Pitofsky stated that:

It is important for people concerned about incentives to produce intellectual property and people concerned about antitrust to engage constructively . . . . [However an] approach that starts from the point that a patent holder does not have to sell or license to anyone, and proceeds from that unchallenged assumption to the rule that it therefore can condition its sales or licenses in any way it sees fit, (with tie-in sales as the sole antitrust exception), would be an unwise and unfortunate departure from the traditional approach in this area.<sup>149</sup>

Two recent district court cases provide additional light on the problem attending the enlargement of the Federal Circuit’s jurisdiction. In *Spotless Enterprises, Inc. v. Carlisle Plastics, Inc.*,<sup>150</sup> a New York district court virtually ignored the Federal Circuit opinions in *Nobelpharma* and *Midwest Industries* to hold that it would be improper to dismiss the defendant’s counterclaims for unfair competition and false advertising under Section 43(a) of the Lanham Act, even though the plaintiff patent owner argued that federal patent law preempted them.<sup>151</sup> After an earlier trial on Spotless’ patent wherein it was held not to be infringed, Spotless moved to dismiss the Section 43(a) claims.<sup>152</sup> The court denied the motion since Carlisle argued its customers quit dealing with it after Spotless told them they could be liable for infringement of its patent if they bought coat hangers from the defendant.<sup>153</sup>

The court specifically held that the Lanham Act covered the conduct at issue in the complaint and that the federal patent laws did not immunize Spotless from being responsible for Lanham Act harm by virtue of its circulation of patent infringement claims to Carlisle’s customers.<sup>154</sup> The court held that in the Second Circuit bad faith was not required to maintain the Section 43(a) action.<sup>155</sup> Though undeterred by the Federal Circuit’s views on preemption, the court also noted the precarious balancing act that the Federal Circuit’s position created by asserting its \*156 jurisdiction over Section 43(a) claims when a patent claim was involved.<sup>156</sup> In a footnote, the district court pointed out that:

The Federal Circuit has offered no authority, beyond its responsibility for adjudicating patent issues, to justify its assertion that it is empowered to define the limits of other, nonpatent specific, federal statutes even in the face of conflicting regional circuit authority . . . . This presents a district court with a quandary. While a district court must adhere to Federal Circuit precedent in interpreting and applying patent law, a district court is also required to respect the authority of its regional circuit court when interpreting other non-patent specific federal statutes. Until the question of the Federal Circuit’s authority to issue binding interpretations of nonpatent specific statutes when they are applied to patents is resolved, its opinion in *Midwest* will create enormous difficulties for a district court; it will require the district court to engage in a precarious balancing act.<sup>157</sup>

In *Holmes Group Inc. v. Vornado Air Circulation Systems, Inc.*,<sup>158</sup> a Kansas district court held that it was bound by an earlier adjudication of Vornado’s alleged trade dress in a fan design that the Tenth Circuit had determined was not protectable because it was part of an invention claimed in a Vornado patent.<sup>159</sup> Even though the Federal Circuit had refused to follow the Tenth Circuit’s position<sup>160</sup> when it decided *Midwest Indus. Inc. v. Karavan Trailers, Inc.*,<sup>161</sup> the district court in Holmes applied conventional collateral estoppel law to grant Holmes summary judgment, thereby not having to choose between the views of the Tenth Circuit and the Federal Circuit on preemption as it applies to trade dress protection.<sup>162</sup>

#### IV. Conclusion

The principal problems inherent in the current path of the Federal Circuit on the scope of its substantive jurisdiction over non-patent subject matter are four-fold. First, it elevates patent rights at the expense of unfair competition and core antitrust principles that it was not given the jurisdiction to control. Second, it squeezes out the regional circuits involvement in constructing antitrust principles \*157 that should properly circumscribe the bundle of rights the intellectual property laws protect. Third, its expansive interpretations create uncertainty when other intellectual property rights are involved. And fourth, it requires district courts to have the sophistication of Houdini and the imagination of Alice in Wonderland to sort out what principles the Federal Circuit has responsibility for and what principles the regional courts have the final say on.

As the National Law Journal writers aptly pointed out in discussing the problems created by the ISO/Xerox decision, [ ISO/Xerox] itself demonstrates the problematic position in which the Federal Circuit's choice-of-law rule places litigants and district court judges. Monopolization claims based on a refusal to sell patents will not necessarily be appealed to the Federal Circuit. The identity of the appellate court will be determined by whether any other claims in the complaint "arise under" the patent laws. If not, the appeal will be taken to the regional court of appeals. Thus, a district court in a circuit with a conflicting antitrust rule--for example, the 9th circuit--would be required to apply different antitrust law to the identical claims depending on the nature of other claims asserted in the complaint. This result is directly attributable to the Federal Circuit's choice-of-law rule.<sup>163</sup>

The dividing line between the bundle of rights that patents give their owners and the restraints on competition that the antitrust laws forbid has to be drawn even though it is still a work in progress. The open question is which appellate court(s) in the federal system has the responsibility to draw the line or stake out the boundaries. The FCIA and prior decisions of the Federal Circuit left little doubt that the regional circuits retained that responsibility even after the creation of the Federal Circuit.

Regardless of how important it was to establish a single court to hear appeals concerning patent law issues--and this writer was a strong advocate for the creation of the Court of Appeals for the Federal Circuit--the court must accept the limitations Congress placed on its choice of law or substantive jurisdiction. If the Federal Circuit continues to try to reform patent law, as well as make over the laws of unfair competition, antitrust, etc. that touch its exclusive jurisdiction over patents, it will lose respect and become a self-fulfilling prophesy for those who felt all along that the creation of a court with exclusive jurisdiction over patents was a mistake.

#### Footnotes

<sup>1</sup> New York University, LL.B., 1957; Columbia University, M.A. Econ., 1950; University of Texas at Austin, B.S. Mech. Eng., 1949. Professor, The University of Texas School of Law.

<sup>2</sup> See United States Department of Justice and the Federal Trade Commission, Antitrust Guidelines for the Licensing of Intellectual Property (Apr. 6, 1995) [hereinafter Antitrust Guidelines].

<sup>3</sup> See Taylor & Biegon, Antitrust Issues in the Enforcement of Patents and Copyrights in Intellectual Property Antitrust, 730 (PLI 1999).

<sup>4</sup> Robert Pitofsky, Challenges of the New Economy: Issues at the Intersection of Antitrust and Intellectual Property, Remarks before the American Antitrust Institute (June 15, 2000), at <http://www.ftc.gov/speeches/pitofsky/000615speech.htm> (emphasis added).

<sup>5</sup> Antitrust Guidelines, *supra* note 1, at §1.0 ("The intellectual property laws and the antitrust laws share the common purpose of promoting innovation and enhancing consumer welfare.").

<sup>6</sup> See, e.g., Sheila F. Anthony, Antitrust and Intellectual Property Law: From Adversaries to Partners, 28 AIPLA Q. J. 1 (2000).

<sup>6</sup> See S. Rep. No. 97-275, at 4 (1982).

<sup>7</sup> See Ronald S. Katz & Adam J. Safer, In Ruling on Antitrust, Does Fed. Circuit Overstep?, *Nat'l L.J.* C20 (Oct. 16, 2000).

<sup>8</sup> See James B. Kobak, Jr., The Federal Circuit as a Competitive Law Court, Address Before the National Conference of Intellectual Property Law Associations CLE Program (Sept. 8-9, 2000).

<sup>9</sup> See *id.*

<sup>10</sup> Pub. L. No. 97-164, 96 Stat. 25 (1982).

<sup>11</sup> S. Rep. No. 97-275, at 4 (1982).

<sup>12</sup> *Id.* See also 1974 Study prepared for the Commission for Revision of Federal Court Appellate System, Gambrell & Dunner, Problems, Consequences and Remedies in the Appellate Review of Decisions Involving Patent-Related Issues, published in abbreviated version in *Pat., Trademark & Copyright J.* (Special Supplement, no. 216, Feb. 20, 1975).

<sup>13</sup> *Id.*

<sup>14</sup> 743 F.2d 1282, 223 U.S.P.Q. (BNA) 214 (9th Cir. 1984) [[hereinafter Handgards II]. See also Handgards I, 601 F.2d 986, 202 U.S.P.Q. (BNA) 342 (9th Cir. 1979) (granting new trial to Ethicon because the district court did not use a clear and convincing evidence standard for the plaintiff's Section 2 claim that Ethicon had pursued a series of bad faith patent infringement suits in an attempt to monopolize the market for heat-sealed gloves].

<sup>15</sup> See Handgards II, 743 F.2d at 1285-88, 223 U.S.P.Q.2d at 215-17.

<sup>16</sup> 601 F.2d 986, 202 U.S.P.Q. (BNA) 342 (9th Cir. 1979) [hereinafter Handgards I].

<sup>17</sup> See Handgards II, 743 F.2d at 1287, 223 U.S.P.Q. at 216. See also Handgards I, 601 F.2d at 993, 202 U.S.P.Q. at 348.

<sup>18</sup> Handgards II, 743 F.2d at 1285-87, 223 U.S.P.Q. at 215-16.

<sup>19</sup> *Id.*, 223 U.S.P.Q. at 215.

<sup>20</sup> *Id.* at 1285-86, 223 U.S.P.Q. at 215.

<sup>21</sup> See *id.* at 1286, 223 U.S.P.Q. at 215.

<sup>22</sup> 28 U.S.C. §1338 (2000).

<sup>23</sup> Handgards II, 743 F.2d at 1287, 223 U.S.P.Q. at 216-17.

<sup>24</sup> 747 F.2d 1422, 223 U.S.P.Q. (BNA) 1074 (Fed. Cir. 1984).

<sup>25</sup> See *id.* at 1427, 223 U.S.P.Q. at 1077.

<sup>26</sup> *Id.* at 1429-30, 223 U.S.P.Q. at 1079.

<sup>27</sup> See *id.* at 1438, 223 U.S.P.Q. at 1086-87.

<sup>28</sup> See *id.*, 223 U.S.P.Q. at 1087-88.

<sup>29</sup> See *id.* at 1439-41, 223 U.S.P.Q. at 1086-87.

<sup>30</sup> See *id.* at 1439-40, 223 U.S.P.Q. at 1086-87.

<sup>31</sup> 781 F.2d 861, 228 U.S.P.Q. (BNA) 90 (Fed. Cir. 1985).

<sup>32</sup> *Id.* at 875, 228 U.S.P.Q. at 99.

<sup>33</sup> 92 F.3d 1153, 39 U.S.P.Q.2d (BNA) 1666 (Fed. Cir. 1996).

<sup>34</sup> 75 F.3d 1568, 37 U.S.P.Q.2d (BNA) 1626 (Fed. Cir. 1996).

<sup>35</sup> 908 F.2d 951, 15 U.S.P.Q.2d (BNA) 1469 (Fed. Cir. 1990).

<sup>36</sup> Pro-Mold, 75 F.3d at 1574-75, 37 U.S.P.Q.2d at 1631. See 15 U.S.C. §1125 (1998).

<sup>37</sup> See 28 U.S.C. §1295 (1998).

<sup>38</sup> 747 F.2d 1422, 1438, 223 U.S.P.Q. (BNA) 1074, 1086 (Fed. Cir. 1984) (court's emphasis) (quoting the Senate Report).

<sup>39</sup> *Id.*

<sup>40</sup> 141 F.3d 1059, 46 U.S.P.Q.2d (BNA) 1097 (Fed. Cir. 1998) (en banc on jurisdiction issue only).

<sup>41</sup> See *id.* at 1067, 46 U.S.P.Q.2d at 1103.

<sup>42</sup> See *id.*, 46 U.S.P.Q.2d at 1104.

<sup>43</sup> *Id.* at 1067-68, 46 U.S.P.Q.2d at 1104 (citations omitted).

<sup>44</sup> See *id.* at 1068, 46 U.S.P.Q.2d at 1104.

<sup>45</sup> See *id.*

<sup>46</sup> *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1062, 46 U.S.P.Q.2d (BNA) 1097, 1099 (Fed. Cir. 1998).

<sup>47</sup> *Id.*

<sup>48</sup> 382 U.S. 172, 147 U.S.P.Q.2d 404 (1965) (holding that patentee's fraud in obtaining a patent by withholding invalidating prior art constituted a violation of Sherman Act if the relevant market and other elements of a Section 2 violation are present).

<sup>49</sup> See *Nobelpharma*, 141 F.3d at 1068-71, 46 U.S.P.Q.2d at 1104-07.

<sup>50</sup> 828 F.2d 1572, 4 U.S.P.Q.2d (BNA) 1203 (Fed. Cir. 1987).

<sup>51</sup> *Nobelpharma*, 141 F.3d at 1070, 46 U.S.P.Q.2d at 1106.

<sup>52</sup> 175 F.3d 1356, 50 U.S.P.Q.2d (BNA) 1672 (Fed. Cir. 1999) (en banc on jurisdiction issue).

<sup>53</sup> *Id.* at 1357, 50 U.S.P.Q.2d at 1673.

<sup>54</sup> *Id.*, 50 U.S.P.Q.2d at 1674.

<sup>55</sup> *Id.* at 1358, 50 U.S.P.Q.2d at 1674.

<sup>56</sup> *Id.*

<sup>57</sup> *Id.* at 1358, 50 U.S.P.Q.2d at 1674.

<sup>58</sup> 770 F.2d 1015, 226 U.S.P.Q. (BNA) 881 (Fed. Cir. 1985).

<sup>59</sup> 777 F.2d 678, 228 U.S.P.Q. (BNA) 124 (Fed. Cir. 1985).

<sup>60</sup> 153 F.3d 1318, 47 U.S.P.Q.2d (BNA) 1769 (Fed. Cir. 1998).

<sup>61</sup> See *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1358-59, 50 U.S.P.Q.2d (BNA) 1672, 1676 (Fed. Cir. 1999).

<sup>62</sup> *Id.* at 1360, 50 U.S.P.Q.2d at 1675.

<sup>63</sup> See *id.* at 1359, 50 U.S.P.Q.2d at 1675.

<sup>64</sup> See *id.*

<sup>65</sup> *Id.* at 1359-60, 50 U.S.P.Q.2d at 1675 (citations omitted).

<sup>66</sup> *Id.* at 1360, 50 U.S.P.Q.2d at 1675 (discussing the court's holding in *Pro-Mold & Tool Co. v. Great Lakes Plastics, Inc.*).

<sup>67</sup> *Id.*, 50 U.S.P.Q.2d at 1676 (discussing the court's holding in *Nobelpharma AB v. Implant Innovations, Inc.*).

<sup>68</sup> *Id.* at 1360, 50 U.S.P.Q.2d at 1675-76.

<sup>69</sup> *Id.* at 1360, 50 U.S.P.Q.2d at 1676.

<sup>70</sup> *Id.*

<sup>71</sup> *Id.*

<sup>72</sup> *Id.* at 1361, 50 U.S.P.Q.2d at 1676.

<sup>73</sup> *Id.* (emphasis added).

<sup>74</sup> *Id.* at 1359, 50 U.S.P.Q.2d at 1675.

<sup>75</sup> See *id.* at 1360, 50 U.S.P.Q.2d at 1675. The court did this by converting a prohibition against applying its law to nonpatent issues into a discretionary decision to apply its law to nonpatent issues so as "to avoid the risk" of two competing lines of authority. Note the following transition:

In reviewing district court judgments in patent cases, we apply our own law with respect to patent law issues, but with respect to nonpatent issues we generally apply the law of the circuit in which the district court sits. We apply Federal Circuit law to patent issues in order to serve one of the principal purposes for the creation of this court: to promote uniformity in the law with regard to subject matter within our exclusive appellate jurisdiction. When we apply regional circuit law to nonpatent issues, we do so in order to avoid the risk that district courts and litigants will be forced to select from two competing lines of authority based on which circuit may have jurisdiction over an appeal that may ultimately be taken, and to minimize the incentive for forum-shopping by parties who are in a position to determine, by their selection of claims, the court to which an appeal will go.

*Id.* at 1359, 50 U.S.P.Q.2d at 1675 (emphasis added) (citations omitted).

<sup>76</sup> *Id.* at 1361, 50 U.S.P.Q.2d at 1676.

<sup>77</sup> See *id.*

<sup>78</sup> *In re Independent Serv. Org. Antitrust Litig.*, 203 F.3d 1322 (Fed. Cir. 2000).

<sup>79</sup> See *Katz & Safer*, *supra* note 7.

<sup>80</sup> Id. at C20 (citations omitted).

<sup>81</sup> See Judge Rader's response to a question at CAFC Judges' Panel, 2000 PriceWaterhouseCoopers Intellectual Property Leadership Forum, Feb. 24-26, 2000 (Palm Desert, CA).

<sup>82</sup> See James B. Kobak, Jr., *The Doctrine that Will Not Die: Nobelpharma, Walker Process, and the Patent Antitrust Counterclaim*, 13 *Antitrust* 47, 49 (1998).

<sup>83</sup> 782 F.2d 995, 228 U.S.P.Q. (BNA) 562 (Fed. Cir. 1986).

<sup>84</sup> See *id.* at 1001-02, 228 U.S.P.Q. at 566-67.

<sup>85</sup> 803 F.2d 661, 231 U.S.P.Q. (BNA) 363 (Fed. Cir. 1986).

<sup>86</sup> 976 F.2d 700, 24 U.S.P.Q.2d (BNA) 1173 (Fed. Cir. 1992).

<sup>87</sup> See *id.* at 706, 24 U.S.P.Q.2d at 1178.

<sup>88</sup> 124 F.3d 1419, 43 U.S.P.Q.2d (BNA) 1896 (Fed. Cir. 1997).

<sup>89</sup> 133 F.3d 860, 45 U.S.P.Q.2d (BNA) 1225 (Fed. Cir. 1997).

<sup>90</sup> The patent misuse doctrine is a judicially developed doctrine that courts have used to prevent patent owners from extending their rights beyond the permissible scope of their patent. A discussion of patent misuse, its development, scope and current reach will be found in an article by Patricia Martone, et al, *The Patent Misuse Defense--Does it Still Have Vitality?*, in *PLI Program on Intell. Prop. Antitrust* 547 (1999).

<sup>91</sup> Windsurfing, 782 F.2d at 1001, 228 U.S.P.Q. at 566 (rejecting as misuse a license provision requiring the licensee to acknowledge the validity of the licensor's trademark and to agree not to use it).

<sup>92</sup> 803 F.2d. at 665, 231 U.S.P.Q. at 366.

<sup>93</sup> See *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 701-02, 24 U.S.P.Q.2d (BNA) 1173, 1174-75 (Fed. Cir. 1992).

<sup>94</sup> See *id.* at 706, 24 U.S.P.Q.2d at 1178 (citing *Adams v. Burke*, 84 U.S. (17 Wall.) 453 (1873)).

<sup>95</sup> See *id.* at 708, 24 U.S.P.Q.2d at 1180.

<sup>96</sup> Of course, the question of what is properly within the scope of the patentee's rights often is better answered by examining what is not within the scope of the patent owner's rights. This approach emphasizes the importance of unfettered competition, which implicates the goals of antitrust.

<sup>97</sup> See *Mallinckrodt*, 976 F.2d at 708, 24 U.S.P.Q.2d at 1180. *Contra James B. Kobak, Jr., Contracting Around Exhaustion: Some Thoughts About the CAFC' Mallinckrodt Decision*, 75 *J. Pat. & Trademark Off. Soc'y* 550 (1993).

<sup>98</sup> See 124 F.3d at 1426, 43 U.S.P.Q.2d at 1901.

<sup>99</sup> 157 F.3d 1340, 48 U.S.P.Q.2d (BNA) 1225 (Fed. Cir. 1998) (finding wrongful enforcement absent Walker Process fraud or sham litigation and holding Professional Real Estate Investor, Inc. v. Columbia Pictures Indus., Inc., 508 U.S. 49 (1993), not available as a new ground of misuse).

<sup>100</sup> See Virginia Panel Corp., 133 F.3d at 869, 45 U.S.P.Q.2d at 1232; C.R.Bard, 157 F.3d at 1373, 48 U.S.P.Q.2d at 1248-50.

<sup>101</sup> Jerry Riedinger & Brian P. McQuellen, Patent Misuse. The Federal Circuit Throttles Back, *Intell. Prop. Antitrust* 623 (1999).

<sup>102</sup> See Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1072, 46 U.S.P.Q.2d (BNA) 1097, 1109 (Fed. Cir. 1998) (en banc on jurisdiction issue only).

<sup>103</sup> *Id.*

<sup>104</sup> 508 U.S. 49 (1993) [hereinafter PRE].

<sup>105</sup> See Nobelpharma, 141 F.3d at 1071, 46 U.S.P.Q.2d at 1107. See James B. Kobak, Jr., Professional Real Estate Investors and the Future of Patent-Antitrust Litigation: Walker Process and Handgards Meet Noerr-Pennington, 63 *Antitrust L.J.* 185 (1994) (discussing the effect of the PRE sham doctrine on Walker Process claims).

<sup>106</sup> See Nobelpharma, 141 F.3d at 1073, 46 U.S.P.Q.2d at 1108 (leaving unanswered the question of whether an antitrust claim was permissive or mandatory under Fed. R. Civ. P. 13 and whether the Federal Circuit had exclusive jurisdiction to decide the issue).

<sup>107</sup> *Id.* at 1070, 46 U.S.P.Q.2d at 1106.

<sup>108</sup> 157 F.3d 1340, 48 U.S.P.Q.2d (BNA) 1225 (Fed. Cir. 1998).

<sup>109</sup> See *id.* at 1383, 48 U.S.P.Q.2d at 1257.

<sup>110</sup> See *id.* at 1382, 48 U.S.P.Q.2d at 1256.

<sup>111</sup> 129 F.3d 1463, 44 U.S.P.Q.2d (BNA) 1705 (Fed. Cir. 1997).

<sup>112</sup> See *id.* at 1474, 44 U.S.P.Q.2d at 1712.

<sup>113</sup> See *id.* at 1473-74, 44 U.S.P.Q.2d at 1712 (citing *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 9 U.S.P.Q.2d (BNA) 1384 (Fed. Cir. 1988)).

<sup>114</sup> *Id.*

<sup>115</sup> See *Mikohn Gaming Corp. v. Acres Gaming, Inc.*, 165 F.3d 891, 893-94, 49 U.S.P.Q.2d (BNA) 1308, 1310-11 (Fed. Cir. 1998).

<sup>116</sup> *Id.*

<sup>117</sup> See *id.* at 896, 49 U.S.P.Q.2d at 1311.

<sup>118</sup> 153 F.3d 1318, 1336, 47 U.S.P.Q.2d (BNA) 1769, 1782 (Fed. Cir. 1998).

<sup>119</sup> *Mikohn Gaming*, 165 F.3d at 896, 49 U.S.P.Q.2d at 1311.

<sup>120</sup> *Id.* (citing *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 710, 24 U.S.P.Q.2d (BNA) 1173, 1181 (Fed. Cir. 1992)). Accord *Betmar Hats, Inc. v. Young Am. Hats, Inc.*, 116 F.2d 956, 957, 48 U.S.P.Q. (BNA) 266, 267 (2nd Cir. 1941).

<sup>121</sup> 195 F.3d 1346, 52 U.S.P.Q.2d (BNA) 1641 (Fed. Cir. 1999).

<sup>122</sup> 203 F.3d 1322, 53 U.S.P.Q.2d (BNA) 1852 (Fed. Cir. 2000) (formerly *CSU Holdings, Inc. v. Xerox Corp.*, 129 F.132 (Fed. Cir. 1997)). While the plaintiffs petitioned for certiorari, the Supreme Court delayed acting on the Petition in order to solicit the government's views on the desirability of granting certiorari. 2000 U.S. Lexis 6588, 69 U.S.L.W. 3257 (U.S. 2000). After the government's response recommended that review not be granted--despite the FTC's position that the Federal Circuit's ISO Litigation decision was contrary to the Supreme Court's Kodak decision--the Court denied the petition for certiorari. 2001 U.S. Lexis 1102, 69 U.S.L.W. 3552 (U.S. 2001).

<sup>123</sup> 504 U.S. 451 (1992).

<sup>124</sup> See *Intergraph*, 195 F.3d at 1350, 52 U.S.P.Q.2d at 1643.

<sup>125</sup> *Id.* at 1353, 52 U.S.P.Q.2d at 1644.

<sup>126</sup> *Id.* at 1356, 52 U.S.P.Q.2d at 1647.

<sup>127</sup> *Id.* at 1355, 52 U.S.P.Q.2d at 1650-51.

<sup>128</sup> See *id.* at 1356-65, 52 U.S.P.Q.2d at 1647-54.

<sup>129</sup> See *id.* at 1360, 52 U.S.P.Q.2d at 1650-51.

<sup>130</sup> *Id.* at 1365 n.3, 52 U.S.P.Q.2d at 1655 n.3.

<sup>131</sup> *Id.*

<sup>132</sup> See *CSU Holdings, Inc. v. Xerox Corp.*, 203 F.3d 1322, 1325-28, 53 U.S.P.Q.2d (BNA) 1852, 1854-56 (Fed. Cir. 2000).

<sup>133</sup> See *id.* at 1324, 53 U.S.P.Q.2d at 1853-54.

<sup>134</sup> See *id.*, 53 U.S.P.Q.2d at 1854.

<sup>135</sup> See *id.*

<sup>136</sup> See *id.*

<sup>137</sup> See *id.* at 1327, 53 U.S.P.Q.2d at 1858.

<sup>138</sup> *Image Tech. Servs. v. Eastman Kodak Co.*, 125 F.3d 1195 (9th Cir. 1997), cert. denied, 523 U.S. 1094 (1998).

<sup>139</sup> See *CSU Holdings, Inc.*, 203 F.3d at 1324, 53 U.S.P.Q.2d at 1854.

<sup>140</sup> Pitofsky, *supra* note 3.

<sup>141</sup> *Id.* (citations omitted).

<sup>142</sup> *Id.*

<sup>143</sup> *ISO v. Xerox*, 203 F.3d at 1328-29, 53 U.S.P.Q.2d at 1856. The pretext exception to the general proposition that a patent or copyright owner could unilaterally refuse to deal was initially fleshed out in *Data General Corp. v. Grumman Systems Support Corp.*, 36 F.3d 1147 (1st Cir. 1994).

<sup>144</sup> Pitofsky, *supra* note 3.

<sup>145</sup> 55 U.S.P.Q.2d (BNA) 1011 (N.D. Cal. 2000).

<sup>146</sup> Pitofsky, *supra* note 3.

<sup>147</sup> *Id.*

<sup>148</sup> *Id.*

<sup>149</sup> *Id.* (citing *Townshend v. Rockwell Int'l Corp.*, 55 U.S.P.Q.2d 1011 (N.D. Cal. 2000)).

<sup>150</sup> 56 F. Supp. 2d 274 (E.D.N.Y. 1999).

<sup>151</sup> *Id.* at 277.

<sup>152</sup> *Id.* at 275.

<sup>153</sup> Id. at 278.

<sup>154</sup> Id. at 279-82.

<sup>155</sup> Id. at 286-88.

<sup>156</sup> Id.

<sup>157</sup> Id. at 285 n.11.

<sup>158</sup> 93 F. Supp. 2d 1140, 54 U.S.P.Q.2d (BNA) 1114 (D. Kan. 2000).

<sup>159</sup> See *id.* at 1143-44, 54 U.S.P.Q.2d at 1116-17. It has turned out that the Holmes court was on solid ground since the Supreme Court recently essentially adopted the Tenth Circuit view in *TraffFix Devices, Inc., Petitioner v. Marketing Displays, Inc.*, 2001 U.S. Lexis 2457, 58 U.S.P.Q.2d (BNA) 1001 (2001).

<sup>160</sup> See *Vornado Air Circulation Sys., Inc. v. Duracraft Corp.*, 58 F.3d 1498, 35 U.S.P.Q.2d (BNA) 1332 (10th Cir. 1995).

<sup>161</sup> 175 F.3d 1356, 50 U.S.P.Q.2d (BNA) 1672 (Fed. Cir. 1999) (en banc on jurisdiction issue), cert. denied, 528 U.S. 1019 (1999).

<sup>162</sup> See Holmes, 93 F.Supp. 2d at 1144-45, 54 U.S.P.Q.2d at 1117. Of course, the biggest case involving predatory conduct by a monopolist did not arise in the Federal Circuit, although it does involve one of the areas in which the Federal Circuit believes a potential antitrust violation could be involved. In *United States v. Microsoft Corp.*, 87 F. Supp. 2d 30, 54 U.S.P.Q.2d (BNA) 1365 (D.D.C. 2000), the district court held that Microsoft operated with a predatory motive in bundling its browser with its Windows operating system. The court could find no benefit to consumers in the bundling but found many reasons to see it as a means of maintaining Microsoft's dominance in the browser market. The case is currently on appeal to the Court of Appeals for the District of Columbia.

<sup>163</sup> Katz & Safer, *supra* note 7.