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Richard H. Stern

- Anti-competitive practices; Defences; Infringement; Legal history; Misuse; Patents; United States

In its first important patent misuse decision in more than four decades, the Kimble case, the US Supreme Court rejected several decades of efforts in the Federal Circuit and other lower courts to limit the scope of the patent misuse doctrine. That doctrinal counter-movement had sought to confine assertion of a misuse defence to cases where the practice challenged as misuse had severe anti-competitive effects in a relevant market that were comparable to those required to support a conclusion of antitrust violation. In addition, the Federal Circuit had carved out of the misuse and exhaustion doctrines all "conditional" sales by patentees (sales that the patentee had made subject to conditions such as limitations on use), drastically curtailing the application of those doctrines. Yet the Supreme Court had, early in the 20th century, held that patentees could not lawfully impose conditions on products they sold, expressly overruling cases upholding that practice. In its Kimble decision, the Supreme Court rejected the application of antitrust policies to the analysis of patent misuse. Misuse is based on patent policy, the Kimble court held, not antitrust policy, and it seeks to further the accomplishment of goals of the patent system, not those of the antitrust laws. Kimble thus calls for a return to the patent misuse doctrines that the Supreme Court declared during the first half of the 20th century and a rejection of the later contrary movement in the last part of the 20th century. The reasoning of the court not only rejects any requirement of anti-competitive market effects for making a misuse holding, but it undercuts any use of "conditional" sales for imposing restrictions.

In Kimble v Marvel the US Supreme Court turned back another attempt to turn patent misuse law into antitrust law. The court held, 6-3, that patent misuse law is governed by patent policy, not antitrust policy, at least where the two bodies of law dictate different results. So ends another episode in a 70- or 80-year-long argument over the difference, if any, between misuse and antitrust. This turn in events puts the patent misuse doctrine more or less back on the track it embarked on in 1917 in the Motion Picture Patents case, and continued on until the last part of the 20th century. It has been common ground all along that patent misuse, when so denominated, is just an affirmative defence to a suit for patent infringement or breach of a patent licence agreement. It is not a cause of action. One cannot go into court, at least as a private citizen, and get an injunction against or damages for patent misuse. Probably, one could get a declaratory judgment as to whether the patent misuse doctrine prevents enforcement against one of a restrictive licence clause, in appropriate circumstances, and possibly get some kind of state law relief under unfair competition law against abusive conduct related to patents. But ordinarily the federal courts do not recognise patent misuse as an affirmative basis for a claim for relief.

But there the common ground ends. On the one side there have been efforts to expand the reach of antitrust law to make patent misuse a basis for finding an antitrust violation, leading to injunctive relief and damages. On the other side there have been efforts, reflected most recently in the Kimble case, to shrink patent misuse to conducting having anti-competitive market effects as severe as those required to find an antitrust violation. That controversy came to a head in the Kimble case.

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3 Motion Picture Patents Co v Universal Film Co 243 U.S. 502 (1917).
5 B. Braun Med. Inc v Abbott Labs 124 F.3d 1419, 1427–1428 (Fed. Cir. 1997) ("monetary damages may not be awarded under a declaratory judgment counterclockwise based on patent misuse, because patent misuse simply renders the patent unenforceable").
6 Rosenthal Collater Group, LLC v Trading Tech. Inc 503 U.S. Dist. LEXIS 37504, *23 (N.D. Ill. 26 December 2005) ("we read B. Braun to allow a patent misuse declaratory judgment claim, but allow it solely to prevent defendant from asserting a patent infringement claim against plaintiff"); see Medimmune Inc v Genentech Inc 549 U.S. 118 (2007) (licensee can get declaratory judgment as to whether licensed patent is invalid, unenforceable, or not infringed without first breaking or terminating its licence agreement).
7 Patent tie-ins, for example, progressed from misuse: Motion Picture Patents Co v Universal Film Co 243 U.S. 502 (1917), to antitrust violation: International Salt Co v United States 332 U.S. 392 (1947), and then retreated as the glaciers did 10,000 years ago. See Illinois Tool Works v Independent Ink Inc 547 U.S. 28, 40 (2006) ("Although the patent misuse doctrine and our antitrust jurisprudence became intertwined in International Salt, subsequent events initiated their unturning."). See also 35 USC § 271(d)(5).
A historical résumé

19th century cases

Although the Supreme Court’s 1917 decision in the Motion Picture Patents case is usually given credit for the origin of the patent misuse doctrine, earlier stirrings of the doctrine occurred in the late 19th century. In 1873, in the celebrated case of Adams v. Burke, the Supreme Court drew on the property law doctrines of Coke on Littleton to begin a long relationship between the exhaustion doctrine and patent misuse. The inventors had assigned their patent rights in a novel coffin lid to Lockhart & Seelye of Cambridge for the territory in which Boston and a 10-mile radius around it, while Adams became the successor in interest to the remaining rights of the inventors. Burke, an undertaker, went to Boston, bought some coffin lids that Lockhart & Seelye had manufactured, and he proceeded to use them in his business, located 17 miles from Boston and thus within the territory in which Adams owned the patent. Adams sued for patent infringement. The Supreme Court said:

‘[I]n the essential nature of things, when the patentee, or the person having his rights, sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and he parts with the right to restrict that use. The article ... passes without the limit of the monopoly ... [I]t is open to the use of the purchaser without further restriction on account of the monopoly of the patentees.’

In Pope Manufacturing Co v. Gormully, in 1892, the Supreme Court refused to enforce a restrictive licence agreement in which Gormully, a bicycle manufacturer, agreed with Pope, another bicycle manufacturer: (1) not to make bicycles with patented features of Pope’s bicycles, even though Pope did not license to Gormully any patents covering those features, and (2) not to dispute or contest the validity of Pope’s patents, even after the end of the licence. The Supreme Court asked whether it was contrary to public policy for Gormully to “estop himself from disputing patents which may be wholly void, or to which the plaintiff may have no shadow of title”. It opined:

“It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly.”

The court held that a court of equity should not enforce such an agreement, because

“from time immemorial it has been the recognized duty of such courts to exercise a discretion; to refuse their aid in the enforcement of unconscionable, oppressive, or iniquitous contracts”.

The inherency doctrine

At this point, two conflicting views of how US patents should be exploited emerged. In one view, announced in the influential 1896 Button Fastener case and later championed by Justice Oliver Wendell Holmes, patentees had an inherent right to withhold entirely the use of their patents. Therefore, patentees were inherently entitled to sell their patented machines on any conditions they chose, since the greater right to refuse all access to the patented invention necessarily includes the lesser right to relinquish access on a condition, such as that the purchaser of the patented product could resell it only at the price that the patentee specified, and could use it only with unpainted supplies bought from the patentee. Thus, in the Button Fastener case, the court upheld the requirement that purchasers of a patented machine for fastening buttons to shoes must use it only with fasteners (staples) bought from the patentee. In the A.B. Dick case the Supreme Court held that purchasers of the patented mimeograph machines must buy their ink and paper from the patentee. In both cases, those violating or inducing violation of the tied-supplies condition were held to be patent infringers: use of the machine in violation of the restrictive condition exceeded the scope of the licence and therefore was patent infringement.

Justice Holmes’s favourite example was a teapot, which the owner was willing to sell only to purchasers who would also buy their tea from him. Holmes said:

“If the owner prefers to keep the pot unless you will buy his tea, I cannot see, in allowing him the right to do so, anything more than an ordinary incident of ownership.”
He added, "Non debet, cui plus licet, quod minus est non licere", which he considered was dispositive of the merits. 17

The contrary view was that the sale of the patented machine exhausted the patent monopoly, and the inherent property rights of the purchaser in the purchased machine trumped or were even more inherent than the right of the patentee to withhold access to the invention. For about 20 years the inherency doctrine of the Button-Fastener case dominated the thinking of the US courts.

**The rise of the patent misuse doctrine**

Then, in 1917 in the *Motion Picture Patents* case, the Supreme Court overruled the *Button-Fastener* and *A.B. Dick* cases, and inaugurated what was later designated the patent misuse doctrine. 18 In the *Motion Picture Patents* case, the patentee sold a patented film projector to which it had attached a plate stating that the machine must be used only with films that the patentee had authorised. The Court emphasised that the patent claims covered only the machine, and the films that the machine used were no part of the patent monopoly. Therefore, it could not be patent infringement for a purchaser of the machine to ignore the patentee's notice that only authorised films could be used with the machine. The Court insisted that "the primary purpose of our patent laws is not the creation of private fortunes for the owners of patents, but is 'to promote the progress of science and the useful arts'." 19

The Court strongly condemned the inherency doctrine and the *Button-Fastener* case. It declared: "[W]e are convinced that the exclusive right granted in every patent must be limited to the invention described in the claims of the patent, and that it is not competent for the owner of a patent, by notice attached to its machine, to in effect extend the scope of its patent monopoly by restricting the use of it to materials necessary in its operation, but which are no part of the patented invention." 20

For the next half-century the patent misuse doctrine progressively expanded, mainly in the field of tying unpatented supplies to the use of patented machines and processes. Initially, the patent misuse doctrine was just a ground for refusing to find patent infringement when a tie-in requirement accompanying a sale was disobeyed. But in 1942, in *Morton Salt v Supperger*, 21 the misuse doctrine became a defence to infringement charges against a competitor that copied the underlying machine. In *Supperger* the Supreme Court held that the public interest in not allowing misuse of patent rights was a sufficient ground to deny the patentee who imposed a tie-in the right to enforce against infringers the patent on a machine used as the basis for compelling purchase of the tied supplies. 22 And it was immaterial that the party asserting that misuse occurred could not show that it suffered any injury as a result of the misuse. 23 The patent misuse doctrine also provided grounds for resisting payment of royalties under unlawfully restrictive licenses and for denying specific performance of unlawfully restrictive licence clauses. 24 Shortly after this, the Supreme Court held that it was a per se violation of the antitrust laws to impose a similar tie-in on a machine and its unpatented supplies. 25

During this period, the doctrine of patent misuse was further assimilated to the "unclean hands" doctrine in equity. In a series of cases in which patentees had obtained and enforced their patents by fraudulent conduct—by deceiving the patent office or courts—the Supreme Court held that it would be inequitable to enforce such a patent. 26 Eventually, the Court held that an antitrust claim could be based on enforcement of a patent procured by fraud. 27

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17 See *Motion Picture Patents* 343 U.S. 502, 519 (1917). Holmes (dissenting) saw the interests at stake as only those of the patentee and licensee, and did not regard the public as also having an interest in the matter. Holmes said that "there is no predominant public interest to prevent a patented toolbar or film feeder from being kept from the public, because, as I have said, the patentee may keep them tied up at will while his patent lasts". 343 U.S. at 520.

18 At first the doctrine had no specific name and was just treated as an instance of general principles of equity. It was in *Morton Salt Co v G.S. Supperger Co* 314 U.S. 488, 494 (1942) that the Court first used the term ("It is the adverse effect upon the public interest of a successful infringement suit in conjunction with the patentee's course of conduct which disqualifies him to maintain the suit, regardless of whether the particular defendant has suffered from the misuse of the patent."). There was no connection between Supperger and Morton.

19 Motion Picture Patents 243 U.S. 502 511 (1917).

20 Motion Picture Patents 243 U.S. 502, 515 (1917).


22 *Morton Salt v Supperger* 314 U.S. 488, 493 (1942) ("the successful prosecution of an infringement suit ... is a powerful aid to the maintenance of the attempted monopoly of the unpatented article, and is thus a contributing factor in thwarting the public policy underlying the grant of the patent.").

23 *Morton Salt v Supperger* 314 U.S. 488, 494 (1942) ("It is the adverse effect upon the public interest of a successful infringement suit in conjunction with the patentee's course of conduct which disqualifies him to maintain the suit, regardless of whether the particular defendant has suffered from the misuse of the patent.").

24 *Merck & Co v Minneapolis Honeywell Regulator Co* 320 U.S. 680, 684 (1944). See also *United States Gypsum Co v National Gypsum Co* 352 U.S. 542 U.S. 457, 465 (1957) ("It is now, of course, familiar law that the courts will not aid a patent owner who has misused his patents to recover any of their emoluments accruing during the period of misuse or thereafter until the effect of such misuse has been dissipated, or 'purged,' as the conventional saying goes.").


26 *Precision Instrument Mfg Co v Automotive Maintenance Machinery Co* 324 U.S. 806, 816 (1945) ("The far-reaching social and economic consequences of a patent therefore give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct, and that such monopolies are kept within their legitimate scope. The facts of this case must accordingly be measured by both public and private standards of equity ... The history of the patents and contracts in issue is steeped in perjury and undisclosed knowledge of perjury."); *Haloid-Alcan Glass Co v Hartford-Empire Co* 322 U.S. 238, 246 (1944) ("There are issues of great moment to the public in a patent suit. Furthermore, tampering with the administration of justice in the manner indisputably shown here involves far more than an injury to a single litigant. It is a wrong against the institutions set up to protect and safeguard the public, institutions in which fraud cannot complacently be tolerated consistently with the good order of society."); *Keystone Driller Co v General Excavator Co* 290 U.S. 240 (1933).

In a number of cases, beginning with the Motion Picture Patents case and re-emphasised in Morton Salt v Suppiger, the Supreme Court had held that it was not necessary to find an antitrust violation in order to find a case of patent misuse. In 1969, in Zenith v Hazeltine, the Supreme Court explained more specifically the necessary role of the patent misuse doctrine. In 1969, in


Post-Zenith controversy over the proper role of the patent misuse doctrine

Two conflicting developments began at about the time of the Zenith case. In one, the Antitrust Division of the Justice Department began to press a theory that efforts to exploit patent power beyond the exact scope of the patent claims were antitrust violations. This movement sought to implement a principle expressed by Justice Burton in a dissent over the court's failure to outlaw all kinds of price fixing in patent licensing: “[If the licence terms] reach beyond the scope of the statutory patent rights, then they must be tested by the terms of the Sherman Act.”

It was unclear whether this was conceived as a doctrine of per se antitrust violation or one that an antitrust violation occurs only when the practice had a substantial adverse effect on marketplace competition. For example, was allocating among competitors the markets in the different uses of a patent an antitrust violation in any case, or only when there was a substantial anti-competitive effect? The case law did not clarify the issue, but it seems to be accepted now that for most such restrictive practices, some showing of adverse market effect will be required to justify imposition of antitrust sanctions.

The movement to attach antitrust liability to misuse fizzled out by the 1980s.

The other development was an effort in the opposite direction to curtail both the patent misuse doctrine and the antitrust laws by requiring in all cases that in order to find a patent licensing practice unlawful a "rule of reason" showing must be made that the challenged practice had a substantial anti-competitive effect. Eventually, an amended law of this type was passed in 1988, but it was limited to tie-ins. It provided that tie-ins were misuse only when the patent had sufficient market power in a relevant market as to adversely affect competition to a significant degree.

The patent bar, although unsuccessful in Congress, continued to press this agenda with some success in the Federal Circuit and considerable academic support. In one form, the argument was that patent misuse should be

28 Motion Picture Patents 243 U.S. 502, 517-518 (1917).
29 Morton Salt v Suppiger Co 314 U.S. 488, 494 (1942) (“It is unnecessary to decide whether respondent has violated the Clayton Act, for we conclude that, in any event, the maintenance of the present suit to restrain petitioner’s manufacture or sale of the alleged infringing machines is contrary to public policy, and that the district court rightly dismissed the complaint for want of equity.”).
32 Zenith Radio 395 U.S. 100, 149 (“And if there was such patent misuse, it does not necessarily follow that the misuse embodies the ingredients of a violation of either § 1 or § 2 of the Sherman Act, or that Zenith was threatened by a violation, so as to entitle it to an injunction under § 16 of the Clayton Act.”). See also Chisum on Patents §§ 19.04[1][f] (“One of a patent to violate the antitrust laws will constitute misuse. However, conduct which in some respect falls short of an antitrust violation may still constitute misuse.”).
33 See, e.g., Rufus Day, "Relation of Patent Validity to Antitrust" (1970) 39 Antitrust L.J. 801, 802 (“Believe thatZenith v Hazeltine makes it clear that a patent misuse is not an antitrust violation without something more—a demonstrable restraint of trade or monopolization, with an effect on commerce.”).
34 See Hovenkamp, "Antitrust and the Patent System" (2015) 76 Ohio State L.J. 467, 469 (“The Antitrust Division was largely responsible for spreading competition doctrine from patent misuse, a set of judge-made rules that arose exclusively in private patent litigation, into government enforced antitrust policy.”).
35 United States v Line Material Co 333 U.S. 287, 353 (1948) (Burton J dissenting). Earlier, in Mercoid Corp v Minneapolis-Honeywell Regulator Co 320 U.S. 680, 684 (1944) (Douglas J), the court had stated: “The legality of any attempt to bring unpatented goods within the protection of the patent is measured by the anti-trust laws not by the patent law. For the reasons stated in a [case Merceroid case] the effort here made to control competition in this unpamented device [a non-staple component of the patented device] plainly violates the anti-trust laws, even apart from the price-fixing provisions of the license agreements.” (The rhetoric is not stated quite as intended. Presumably, when Justice Douglas spoke of "legality ... measured", he meant that the conduct not only violated the policy of the patent laws (by exceeding the lawful monopoly of the patent) but it also violated the antitrust laws. He did not mean that patent policy failed to condemn it.)
36 In United States v Hartford Empire Co 323 U.S. 386 (1945), patents were used to create a cartel dividing markets for different types of bottles and jars made with patented technology. The conduct was egregious and the court had little trouble finding it illegal. In United States v Ciba-Geigy Corp 508 F. Supp. 1118 (D.N.J. 1976), a patentee used a patent on a drug chemical to divide submarkets among sellers of competing niche varieties of anti-hypertension drugs including the chemical. The court found a per se antitrust violation when the patented product was sold (but not when manufactured by an individual licensee). But the court was not convinced that there was an overall conspiracy to allocate markets, and because of an insufficient showing of anti-competitive effect, the court found no violation except as to the individual restrictive sales agreements (restraints on alienation).
37 35 USC §§ 271(d)(5). A broader bill passed in the Senate, but was unable to pass in the House. The Reagan Administration’s Justice Department supported the broader bill that passed only in the Senate. See US Dept of Justice, Office of Legis. and Intergov’t Affairs, June 4, 1987, “Justice Department Views”, Senate Comm. on the Jud., Rep. on Process Patents Amendments Act of 1987, 106th Cong., 1st Sess., at 67 (June 23, 1987). The Senate bill, S. 428 [201, 106th Cong., 2d Sess. (1988), provided as a condition of finding any patent misuse that the patentee’s “practices of actions or inactions ... violate the antitrust laws”. The late Congressman Robert Kastenmeir from Wisconsin was largely responsible for the compromise, which at the time saved most of the patent misuse doctrine by throwing a munciki (patent tie-ins) from the back of the sleigh to the wolves.
found only when the practice had adverse effects on competition comparable to those needed to establish an antitrust violation. In an extreme form, the argument was made that the patent misuse doctrine was unnecessary and should be abolished, leaving the field entirely to a somewhat tamed body of antitrust law.

Revanchism in the Federal Circuit

The Federal Circuit stated its position disapproving and attempting to curtail the patent misuse doctrine in several cases, beginning in the 1980s, and most recently in Princo v ITC, in which the Federal Circuit sitting en banc rejected a misuse claim based on an alleged agreement to suppress use of a competing technology. The court’s decision “substantially entangle[d] patent misuse jurisprudence with antitrust concepts”. The Federal Circuit accepted in principle the standard misuse doctrine that “the basic rule of patent misuse [is] that the patentee may exploit his patent but may not use it to acquire a monopoly not embraced in the patent”. Then it said that this rule meant that misuse occurs when and only when the patentee “impermissibly broadens the physical or temporal scope of the patent grant with anticompetitive effect.” The court emphasised its view that misuse is not to be found “[w]here the patentee has not leveraged its patent beyond the scope of rights granted by the Patent Act.” Thus, not all wrongful conduct committed in exploiting a patent is misuse—“even conduct that may have anticompetitive effects.”

In the Princo case, the patentee was not extending the scope of the patent that Princo was accused of infringing—instead, the patentee allegedly agreed with a second patentee to suppress the commercial licensing or exploitation of a second patent that the second patentee owned. This second patent was one on an alternative technology to that of the infringed patent. The proper misuse rule, the court said, is that the allegedly infringed patent must “itself significantly contribute[ ] to the practice under attack.” Even assuming that the alleged conspiracy to suppress competitive technology is an antitrust violation, that is insufficient to make the conduct patent misuse without the required use of so-called leverage:

“[E]ven if Philips and Sony engaged in an agreement not to license the [competitive technology] patent ... that hypothesized agreement had no bearing on the physical or temporal scope of the patents in suit.”

Accordingly there was no misuse.

This en banc decision established the high-water mark for the Federal Circuit’s attempted retrenchment of the patent misuse doctrine and its revanchist project to cabin the Supreme Court’s prior expansive misuse jurisprudence. Two members of the Federal Circuit concurred in the judgment, because Princo had not shown any adverse competitive effects, but objected to the majority’s narrowing of Supreme Court decisions such as Zenith that treated patent misuse as a lesser included offence within antitrust violation (as simple assault is a lesser included offence within aggravated assault).

Another two judges dissented, saying the proper legal rule was not one of leverage but one “that patent misuse occurs when patent licensing agreements are used ‘to control conduct by the licensee not embraced in the patent monopoly’.”

Another prong of the Federal Circuit’s effort to curtail the Supreme Court’s development of the patent misuse doctrine after the Motion Picture Patents decision was revival of the inherency doctrine—the doctrine of the Button-Fastener case. It was clear from the majority and dissenting opinions in the Motion Picture Patents case that the majority opposed, and by overruling the Button-Fastener and A.B. Dick cases, sought to abolish the doctrine that because a patentee could wholly refuse to license its patent it could instead license upon whatever conditions it chose. By the same token, Justice Holmes, in his dissent in the Motion Picture Patents case, insisted on the legitimacy and correctness of the inherency doctrine:

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38 Christa J. Laser argues that misuse should be found only if there is antitrust injury to the general competitive process. Christa J. Laser, “Continuing the Conversation of ‘The Economic Irrationality of the Patent Misuse Doctrine’” (2012) 11 Chi.-Kent J. Intell. Prop. 104, 112 (“Not having an antitrust injury requirement, then, leads to overdetermination of misuse and underdetermination of infringement.”).
39 See Lemley, “The Economic Irrationality of the Patent Misuse Doctrine” (1990) 78 Cal. L. Rev. 1599 (arguing that the patent misuse doctrine ought to be abolished, and that the antitrust laws can serve the same purposes that the patent misuse doctrine was designed to serve). See also F. Scott Kieff and Troy A. Paredez, “The Basics Matter: At the Periphery of Intellectual Property Law” (2004) 73 Geo. Wash. L. Rev. 174.
40 Among the Federal Circuit’s decisions seeking to limit the patent misuse doctrine are Virginia Panel Corp v Max Panel Co 133 F.3d 860, 868-870 (Fed. Cir. 1997); R. Braun Med. Inc v Abbott Labs 124 F.3d 1419, 1426 (Fed. Cir. 1997); Mallinckrodt Inc v Medipart Inc 976 F. 2d 700, 706 (Fed. Cir. 1993) (“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.”); Windstar Int’l Inc v AMF Inc 762 F. 2d 995, 1001-1002 (Fed. Cir. 1986) (misuse is “impermissibly broad[en] of the ‘physical or temporal scope of the patent grant with anticompetitive effect’; ‘a factual determination must reveal the overall effect of the license tends to restrain competition unlawfully in an appropriately defined market’.”)
41 Princo Corp v ITC 616 F.3d 1318 (Fed Cir. 2010) (en banc).
43 Princo 616 F.3d 1318, 1327–1328 (Fed Cir. 2010).
44 Princo 616 F.3d 1318, 1328 (Fed Cir. 2010).
45 Princo 616 F.3d 1318, 1329 (Fed Cir. 2010).
46 Princo 616 F.3d 1318, 1331 (Fed Cir. 2010).
47 Princo 616 F.3d 1318, 1230 (Fed Cir. 2010).
48 Princo 616 F.3d 1318, 1340–1341 (Fed Cir. 2010).
49 See Chown on Patents [19.04][1]: “Use of a patent to violate the antitrust laws will constitute misuse. However, conduct which in some respect falls short of an antitrust violation may still constitute misuse.”
50 Princo 616 F.3d 1318, 1348–1349 (Fed Cir. 2010). In several courts of appeals decisions, prohibitions of licensee use of competitive technology had been held misuse. See, e.g., National Lockwinder Co v George E. Garrett Co 137 F. 2d 255, 256–257 (3d Cir. 1943) (“A patentee’s right does not extend to the use of the patent to purge the market of competing non-patented goods except, of course, through the process of fair competition ... The patentee has divested itself to recover at present for infringement by reason of its utilization of its patent monopoly to drive unpatented competing goods from the market.”); McCullough v Komerer Corp 166 F.2d 759 (9th Cir. 1945).
In short, for whatever motive, he may keep his device wholly out of use. So much being undisputed, I cannot understand why he may not keep it out of use unless the licensee, or, for the matter of that, the buyer, will use some unpatented thing in connection with it. . . . [The public has been encouraged by this court to believe that the law is as it was laid down in [the Button-Fastener case] and numerous other decisions of the lower courts. I believe that many and important transactions have taken place on the faith of those decisions, and that, for that reason as well as for the first that I have given, the rule last announced in [the A.B. Dick case] should be maintained.]53

Beginning in the early 1990s, the Federal Circuit held that the exhaustion doctrine and rule against post-sale restrictions on the manner of use of patented products applied only when the sale was "unconditional." If a patentee sold its patented product subject to a condition on its use or disposition, violation of the condition was "reasonably within the patent grant, i.e., that it relates to subject matter within the scope of the patent claims."54 Subsequent Federal Circuit decisions have followed this rule.55

Often, as in the Princo case, several of these requirements were invoked to defeat a misuse claim. That is, it was said that there was not a substantial anti-competitive effect in the relevant market in which the allegedly misused patent operated and also that the restriction related to what the patent claimed. Moreover, typically, the restriction that led to the misuse claim was a condition the patentee imposed as part of a sale.56

**Brulotte and Kimble**

A "poster child" for the argument against the patent misuse doctrine has long been the Supreme Court's 1964 decision in the Brulotte case.57 In that case, a patented machine had been licensed under a royalty arrangement extending well beyond the expiration date of all of the licensed patents. The Supreme Court held that patents have a limited term defined in the patent statute.58 When the patent expires, the patent monopoly terminates. Therefore, any requirement for payment of patent royalties beyond the expiration of the licensed patents is unenforceable. As a matter of federal patent misuse law, Brulotte was not obliged to pay Thys any post-expiration patent royalties. The court explained:

"The exaction of royalties for use of a machine after the patent has expired is an assertion of monopoly power in the post-expiration period when, as we have seen, the patent has entered the public domain ... [A]fter expiration of the last of the patents incorporated in the machines 'the grant of patent monopoly was spent' and ... an attempt to project it into another term by continuation of the licensing agreement is unenforceable."59

Since its decision, Brulotte has been a target of criticism.60 It was said to be an irrational departure from principles of freedom of contract that should govern in such cases.61 Some commentators, however, defended the decision.62

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53 Motion Picture Patents 243 U.S. 503, 519-520 (1917).
54 Mallinckrodt v. Medipart 976 F.2d 700,708 (Fed. Cir. 1992). The term "relates to subject matter within the scope of the patent claims" does not mean that the claims cover the restricted subject matter. Thus, a restriction against use X of a patented product (for example, using the product more than once) relates to the claimed subject matter (the patented product), even though no patent claim covers how many times the buyer uses X. The quoted phrase is meaningless as a limitation on the doctrine: it excludes nothing from the immunisation of licence restrictions, for they always relate to the patented article subject to the restriction.
55 See, e.g., B. Braun Med. v. Abbott Labs 124 F.3d 1419, 1426 (Fed. Cir. 1997) ("violation of valid conditions entitles the patentee to a remedy for either patent infringement or breach of contract"); Monsanto Co v McFarling 302 F.3d 1291, 1298 (Fed. Cir. 2002), Princo v ITC 616 F.3d 1318, 1328 (Fed Cir. 2010).
56 See, e.g., B. Braun Med. v. Abbott Labs 124 F.3d 1419 (Fed. Cir. 1997). In that case, Braun sold valves to Abbott for use as components in certain intravenous systems that Abbott sold but not others.
58 US Constitution art.I, § 8, cl.8 authorises Congress to grant patents "for limited times".
60 Sec, e.g., Richard A. Posner, "Transaction Costs and Antitrust Concerns in the Licensing of Intellectual Property" (2004) 4 J. Marshall Rev. Intell. Prop. L. 325, 332 ("Brulotte does not reflect the Supreme Court's current thinking about competition and monopoly, but it will continue to bind the lower courts until the Supreme Court decides to overrule it."); Ian Ayres and Paul Klemer, "Limiting Patentees' Market Power Without Reducing Innovation Incentives: The Pervasive Benefits of Uncertainty and Non-Injunctive Remedies" (1999) 97 Mich. L. Rev. 985, 1027 ("Our analysis ... suggests that Brulotte should be overruled"); Harold See and Frank M. Caprio, "The Trouble with Brulotte: The Patent Royalty Term and Patent Monopoly Extension" (1990) Utah L. Rev. 813; Paul Goldstein, "Federal System Ordering of the Copyright Interest" (1969) 69 Colum. L. Rev. 49, 70 ("In the presence of only the most attenuated federal interest, and absent any generalized public concern, the Brulotte rule gives to the federal courts a broad and probably illegitimate supervisory power over state administration of private contracts."); Note, "Patents: Supreme Court Holds Post-Expiration Royalty Agreements Unlawful Per Se" [1965] Duke L.J. 836, 841 ("Thus, the ambiguity in Brulotte, so long as it remains unresolved, may greatly limit marketing available to [patentees].");
61 William J. Landes and Richard A. Posner, The Economic Structure of Intellectual Property Law (Cambridge, MA: Harvard University Press, 2003), p.389, argued that Brulotte places an unnecessary burden on the contracting power of parties and may cause licensees to pay a higher royalty rate compared with the rate paid when license royalties can extend beyond the patent term.
62 Marshall Leaffer, "Patent Misuse and Innovation" (2010) 10 J. High Tech. L. 142, 148 ("patent misuse should transcend the contours of traditional antitrust law and should concern itself with policy of patent law and the effect on innovation"); Robin C. Feldman, "The Inefficiency of Antitrust Analysis for Patent Misuse" (2002) 55 Hastings L.J. 399, 422 ("the antitrust rule of reason focuses on one particular issue: the impact on competition, rather than all possible equitable considerations" relevant to patent policy); Feldman at 448 ("A behavior that retards the progress of science would be of concern to patent policy" but antitrust tests are not attuned to this type of problem.")

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Figure 4 US Pat. No. 5,072,856 (2016) 38 E.I.P.R., Issue 3 © 2016 Thomson Reuters (Professional) UK Limited and Contributors
Fifty years after the *Brulotte* decision, *Kimble* raised a virtually identical fact pattern. Kimble invented a toy that, when actuated, shot a Spiderman jet of pressurised foam string (see figure above). Kimble’s licence to Marvel provided for royalties to continue indefinitely. Neither party was aware of *Brulotte*. Subsequently, Marvel learned of *Brulotte* and declined to pay post-expiration royalties. Emboldened by the criticism of *Brulotte*, *Kimble* appealed from successive defeats in the district court and court of appeals. The Supreme Court granted certiorari in *Kimble* specifically to decide whether *Brulotte* should be overruled. In *Kimble* the Supreme Court reaffirmed the *Brulotte* judgment, 6-3, primarily on stare decisis grounds. But in the course of its ruling the Court explained why the *Brulotte* decision was correct and its critics wrong, as to the substantive law, and, most important for the issues that this article addresses, the Court explained why the patent misuse doctrine is not properly governed by antitrust economic theories. In a nutshell, the reason is that patent misuse doctrine is based on the policies of the patent system, not on the policies of antitrust law. The two bodies of law often follow similar principles, but sometimes one of them marches to a different drummer. *Brulotte* reflects one of the instances where the policies differ. By the same token, so did *Kimble*.

A bedrock policy of patent law is that the patent instrument defines the patent monopoly. What is outside the scope of the claims is outside the monopoly and not to be dominated by the patentee. Likewise, the term of the patent monopoly is specified in the statute, and when the statutory term ends so does the monopoly. The *Kimble* Court gave examples of the operation of this policy:

"By virtue of federal law, we reasoned, 'an article on which the patent has expired,' like an unpatentable article, 'is in the public domain and may be made and sold by whoever chooses to do so.' In a related line of decisions, we have deemed unenforceable private contract provisions limiting free use of such inventions ... [F]or example, we determined that a manufacturer could not agree to refrain from challenging a patent's validity. Allowing even a single company to restrict its use of an expired or invalid patent, we explained, 'would deprive ... the consuming public of the advantage to be derived' from free exploitation of the discovery. And to permit such a result, whether or not authorized 'by express contract,' would impermissibly undermine the patent laws." The Court added that "*Brulotte* was brewed in the same barrel". Agreements under which patent royalties must be paid after the patent expires

"conflict with patent law's policy of establishing a 'post-expiration ... public domain' in which every person can make free use of a formerly patented product". That may not coincide with antitrust policy but it is clearly patent policy.

The Court acknowledged that sometimes stare decisis "means sticking to some wrong decisions". The reason for that is that usually it is "more important that the applicable rule of law be settled than that it be settled right". Moreover, it

"is the preferred course because it promotes the evenhanded, predictable, and consistent development of legal principles, fosters reliance on judicial decisions, and contributes to the actual and perceived integrity of the judicial process".

But the Court refused to concede that *Brulotte* was a case whose doctrine it was sticking to for these reasons even though it was wrong: the Court insisted that *Brulotte* was not wrong. Kimble's argument that antitrust doctrine and its "rule of reason" should be the gauge for patent misuse, so as to hold unlawful only those restrictions with "anti-competitive consequences", would be a serious mistake in judicial administration. Antitrust inquiries under the rule of reason require an "elaborate inquiry" that "produces notoriously high litigation costs and unpredictable results". For that reason, "trading in *Brulotte* for the rule of reason would make the law less, not more, workable than it is now".

Not only was what antitrust policy requires difficult to administer, costly and unpredictable, there was no good reason to substitute antitrust policy for patent policy here. Kimble had a catalogue of benefits that it claimed allowing post-expiration royalties would bring about: lower royalty rates during the patent term, leading to lower consumer prices; more companies being able to afford the cheaper licences, thus fostering competition among the licensees; and so on. Even if what Kimble claimed were true, the Court said, the underlying premise
is misconceived: “If Brulotte were an antitrust rather than a patent case”, the Court responded, perhaps it would accept Kimble’s arguments, but “this is a patent case—a patent misuse case”. Patent misuse cases do not rest on antitrust policy; they take their cues from patent policy. Congress chose a long time ago to make it a bedrock core in patent policy that the monopoly of a patent is limited to the patent itself, as to time and scope, and the Supreme Court has followed that policy since the 19th century.71

**Whither the patent misuse doctrine?**

The effect of the Kimble decision would seem to be to roll back the line of Federal Circuit decisions culminating in *Princo*, which had made a showing of substantial anti-competitive effect in the relevant market an essential element of proof in most misuse cases. Kimble reaffirms the doctrine of cases holding that misuse is not antitrust price-fixing and tie-in cases, to sales made on a condition. Patent misuse “unconditional” sales and did not apply, except in *Button-Fastener* and *A.B. Dick* cases, to sales made on a condition. The Federal Circuit will view Kimble as limited to its bare facts—that Brulotte is not overruled, nothing else. That court has said before, of most of the Supreme Court opinions with which it disagreed, that they were merely obiter dicta and need not be followed beyond the core of the ratio decidendi.

In the *Mallinckrodt* case,72 for example, the Federal Circuit held that the exhaustion doctrine was limited to “unconditional” sales and did not apply, except in price-fixing and tie-in cases, to sales made on a condition. Accordingly, when a product was sold with a label attached to it saying “for one use only”, the Federal Circuit said that there was no misuse. Rather, it was patent infringement to refurbish and re-use the product, the Federal Circuit ruled, thus reviving the doctrine of the *Button-Fastener* and *A.B. Dick* cases despite their having been expressly overruled in the *Motion Picture Patents* case.73 It was on the basis of *Mallinckrodt* that the Federal Circuit held, in its decision that the Supreme Court recently reversed in the *Quanta* case, that the exhaustion doctrine did not apply to a sale of patented electronic components sold under a condition they not be used in certain circuits unless a second royalty was paid.

The logic behind the Kimble ruling is that patent policy is what the Supreme Court has said it is in such cases as *Motion Picture Patents*, where it rejected the *Button-Fastener* case’s doctrine that patented goods could properly be sold subject to conditions on how the purchaser could use them. That would mean that conditions imposed in “conditional” sales of patented articles are ineffective legally. But Kimble does not say that in so many words.74 The Federal Circuit could, therefore, stick to its *Mallinckrodt* doctrine—that conditional sales prevent a finding of exhaustion or misuse—until the Supreme Court explicitly tells it not to.

The Federal Circuit’s predecessor court, the US Court of Customs and Patent Appeals (CCPA), similarly tried to interpret Supreme Court decisions as limited to their facts,75 and in one case, when the Supreme Court vacated a CCPA judgment and remanded it to the CCPA for reconsideration in light of a recent Supreme Court decision, the CCPA replied that the Supreme Court decision cited “shed no light” on the issues.76 Indeed, in a 2009 oral argument before the Supreme Court, the Chief Justice remarked that the federal courts of appeals conform their judgments to those of the Supreme Court, except of course in the case of the Federal Circuit.77

Still, the Federal Circuit seems lately to be becoming less recalcitrant. There have been considerable changes in personnel at the Federal Circuit since the days when it and its predecessor court openly defined the Supreme Court.80 Since the Supreme Court’s *Alice* decision in 2014,81 the Federal Circuit has accepted the Supreme Court doctrine against patents on abstract ideas for business and financial practices, and has held invalid well over 90 per cent of those coming before it. This suggests that the Federal Circuit may well decide to abandon the doctrine of the *Button-Fastener* case and follow the Supreme Court’s judgment that patent policy, rather than

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71 See, e.g., *Singer Mfg Co v June Mfg Co* 163 U.S. 169, 185 (1896) (“It is self-evident that on the expiration of a patent the monopoly created by it ceases to exist, and the right to make the thing formerly covered by the patent becomes public property. It is upon this condition that the patent is granted. It follows, as a matter of course, that on the termination of the patent there passes to the public the right to make the machine in the form in which it was constructed during the patent.”). Accord, *Kellogg Mfg Co v National Biscuit Co* 305 U.S. 111, 119–120 (1938). Similarly, the patent claim is the measure of the patent grant. See *Aro Mfg Co v Convertible Top Replacement Co* 365 U.S. 336 (1961). No monopoly is granted beyond the “metes and bounds” of the claim. See *Motion Picture Patents* 243 U.S. 503, 515 (1917) (“the exclusive right granted in every patent must be limited to the invention described in the claims of the patent”).


73 *Mallinckrodt v Medipart* 976 F.2d 700 (Fed. Cir. 1992).

74 The Federal Circuit excepted from its rule post-sale restrictions such as tie-ins and price-fixing that the Supreme Court had held specifically illegal per se. The district court and defendant relied on cases such as *Motion Picture Patents* for broad rejection of the *Button-Fastener* doctrine and for a general rule of unenforceability of post-sale restrictions. The *Mallinckrodt* court said those “opinions of exceedingly broad reach” were handed down in tying and price-fixing cases, while the case at bar was not such a case. That made them obiter dicta. The Federal Circuit said: “[G]eneral expressions, in every opinion, are to be taken in connection with the case in which those expressions are used. If they go beyond the case, they may be respected, but ought not to control the judgment in a subsequent suit when the very point is presented for decision.”

75 See also *Quanta Computer Inc v LG Electronics Inc* 553 U.S. 617 (2008); *Motion Picture Patents* 243 U.S. 503, 515 (1917); *Lear, Inc v Adkins* 395 U.S. 653 (1969) (not considering actual anticompetitive effect).

76 *Mallinckrodt v Medipart* 976 F.2d 700, 708 n.8 (Fed. Cir. 1992). Therefore, the court considered itself not obligated to apply *Motion Picture Patents* to the case before it.


78 The Federal Circuit now has pending before it an en banc determination whether Quanta effectively overruled Mallinckrodt. See Lexmark Int’l Inc v Impression Prods 785 F.3d 565 (Fed. Cir. 2015).

79 See, e.g., *In re Chaffield* 545 F.2d 152, 159 (C.C.P.A. 1976) (Rich J., dissenting because majority is attempting to distinguish Supreme Court opinions on insubstantial grounds).

80 In re *Bergy* 596 F.2d 952, 967 (1979) (“To conclude on the light *Flook* sheds on these cases, very simply, for the reasons we have stated, we find none.”).

81 *Carbide Technology Inc v HIE Bio* Inc 556 U.S. 635 (2009). Transcript of oral argument at 18 (Chief Justice Roberts said that “other than the Federal Circuit”, the circuit courts of appeal “can’t say, I don’t like the Supreme Court rule so I’m not going to apply it.”).

82 See In re *Bergy* 596 F.2d 952 (1979), discussed above and accompanying text.

antitrust policy, must govern patent misuse. In that case, Kimble will have undermined the Federal Circuit’s misuse jurisprudence that narrowly cabined the doctrine on the basis of antitrust policy.

**Patent policy is elusive**

But what is patent policy? In *Kimble* it was that the term of a patent is set by the patent statute, and its monopoly therefore expires in all respects when the patent expires. The *Kimble* court did not have any other aspect of patent policy before it but that one, and it did not indulge in dicta about the rest of the body of patent policy. But we know from a few cases what patent policy includes. The *Motion Picture Patent* case and its progeny tell us that the patent claims are the measure of the patent monopoly, and it is therefore improper for courts to extend the monopoly to unclaimed elements, such as supplies or products used with the patented product by its purchasers. *Adams v Burke* and *Motion Picture Patents* tell us that conditions imposed on purchasers’ use of patented goods cannot be enforced—at least by means of patent law.\(^{82}\) Cases such as *Aro\(^*\) and *Wilbur-Ellis\(^*\) teach that the property rights of a purchaser include the freedom to repair and improve the functioning of a purchased, patented article, at least so long as a different patented article is not created when doing so.\(^{83}\) If the seller of a patented product imposes post-sale restrictions against the repair and modification that *Aro* and *Wilbur-Ellis* permit, arguably the restrictions run counter to patent policy and therefore are unenforceable under the misuse doctrine. But no authoritative precedent so holds. And if such restrictions are misuse, does *Suppiger*’s doctrine that misused patents are unenforceable apply in full?\(^{84}\) *Lear\(^*\)* and *Pope v Gormully\(^*\) speak of the harmfulness to the public of agreements to shield spurious patents from legal challenge. Are these practices, surely contrary to patent policy as declared in those cases, patent misuse? The Supreme Court held the contracts unenforceable, but never held that the patentee’s use of no-contest clauses in its licenses disabled it from bringing infringement suits, as in the *Suppiger* case.\(^{85}\) That issue has arisen in lower courts and been only partially resolved.\(^{86}\)

Patent policy concerning agreements not to challenge patent validity is not yet fully delineated. For example, whether litigation that is terminated by a consent decree that acknowledges a patent’s validity and bars contesting it is governed by *Lear*’s patent policy or the public policies of preserving the finality of judgments and that of encouraging settlements is still troublesome. Presumably, the respective policies must be balanced. The Federal Circuit has concluded that the proper balance tips against *Lear*’s policy, but that the public interest in eliminating spurious patents (*Lear*’s policy) is nonetheless served by exercising strict scrutiny over the clarity of the language that the contract uses:

> “Barring subsequent challenges favors the public policy of encouraging voluntary settlement; at the same time, a narrow construction of such provisions favors challenges to validity. Thus, a balance in the policy expressed in *Lear* and the interest in encouraging settlement is achieved. The result is that invalidity and unenforceability claims may be released, but only if the language of the agreement or consent decree is clear and unambiguous.”\(^{87}\)

The Federal Circuit’s description of the felicitous balance it has achieved is more aspirational than plausible. Clearly, determining what patent policy is here is a ripe field for litigation, and will need at least one trip to the Supreme Court. This is not meant to deprecate the Supreme Court’s choice in *Kimble* to look to patent policy instead of antitrust policy to fashion the patent misuse doctrine. Antitrust policy is even more perplexing. Still, these examples suggest some problems that the courts will encounter in implementing even existing precedents on patent policy. Still more problems than those just suggested may be in store where patent policy is even murkier because of the absence of authoritative precedents. And all of this is further complicated by the necessity of undoing the results of the Federal Circuit’s previous misplaced affection for the policy of the *Button-Fastener* case.

Because the *Kimble* case concerned only one aspect of the misuse doctrine—whether agreements in violation of patent policy are enforceable—the court did not need to consider any different aspects of misuse doctrine. There

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\(^{82}\) It may be argued that those cases, and *Quanta* as well, do not expressly rule out use of contract law. *Budotite* and *Lear*, however, and *Kimble* too, did rule out use of contract law to supersede patent policy.


\(^{84}\) *Wilbur-Ellis Co v Kuther* 377 U.S. 422 (1964).

\(^{85}\) The litigation, of course, is over whether the repaired or improved article is a different one or just the same article in a repaired or improved state.

\(^{86}\) This issue arose in *Mulinekrodt v Medpat* 976 F. 2d 700 (Fed. Cir. 1992), in which a device was sold bearing a “one use only” label, but the Federal Circuit sidestepped the question. It invoked the *Button-Fastener* doctrine, so that neither the exhaustion doctrine nor the repair doctrine applied. Because the sale was “conditional”, the court said, the defendant’s conduct was outside the scope of the authorized use, was patent infringement, and was therefore sanctionable.

\(^{87}\) *Lear v Axtson* 395 U.S. 653 (1969). Lear held an implied promise not to challenge validity (implied by state contract law) unenforceable. In *Massillon-Cleveland-Akron Sign v Golden State Advertising* 444 F. 2d 425, 427 (9th Cir. 1971), the court held an express such promise unenforceable, based on *Lear*’s declaration of patent policy.

\(^{88}\) *Pope Manufacturing v Gormully* 144 U.S. 224 (1892).

\(^{89}\) Neither Budotite not in its progeny, nor Kimble held that use of post-expiration royalties disables a patentee from recovering damages from third-party infringers in a patent infringement suit. The issue was raised in *Cordance Corp v Amazon.com Inc* 727 F. Supp. 2d 310, 336–337 (D. Del. 2010). But it was not decided. The post-expiration period had not yet begun in that case, so that post-expiration royalties had not yet been collected. The court said that “even assuming that Cordance’s contractual agreements did constitute patent misuse per se under Budotite, it does not follow that the court need render the 710 patent unenforceable in its entirety. The court might invalidate only the [as yet uncollected] post-expiration passive royalties.”

\(^{90}\) In *Farthing Pump & Equip Co v Hydrocraft Inc* 468 F. 2d 225, 232 (7th Cir. 1972), the court held that inclusion of a no-contest clause in a patent licence agreement did not constitute a basis for a patent misuse affirmative defense as in the *Suppiger* case: “We hold that the no contest clause in the . . . license, though unenforceable under *Lear*, does not constitute the kind of misuse of the patent which forecloses recovery of damages from an unlicensed infringer.”

\(^{91}\) *Baseload Energy Inc v Roberts* 619 F.3d 1337, 1361–1362 (Fed. Cir. 2010).
are other important ones. One closely related to the enforceability of agreements is whether the Government may properly order patentees to stop engaging in patent misuse—particularly, agreements to participate in various restrictive patent practices that are not necessarily antitrust violations. It has been characteristic of the patent misuse doctrine that patent licensing practices that are objectionable first in private litigation (they are private nuisances, so to say) often progress over time to be held enjoinal or perhaps punishable at the instance of governmental authorities (they are public nuisances, so to say). This movement in doctrine occurred in the patent misuse field first with price-fixing,92 then with tie-ins.93 To what extent should the Government have a roving commission to order parties not to engage in misuse? And should the measure be patent policy, as in Kimble or antitrust policy? The recent Actavis case94 raises this issue. The case involved a government effort to prohibit what may be considered a type of Lear misuse, but one with sufficient adverse anti-competitive potential to be an antitrust violation as well. In Actavis the FTC challenged the practice of drug manufacturers to pay other drug manufacturers not to engage in a patent validity challenge.

Probably the only forms of patent misuse as to which the courts will concede the FTC or Antitrust Division a but one with sufficient adverse anti-competitive potential in infringers. This remedy rule (or aspect of misuse as an affirmative defence) has been a sore point for patentees since 1942 when the Supreme Court decided the Suppiger case. That case expanded patent misuse from a defence against a suit to compel obedience to a restrictive licence clause (such as a tie-in) to a defence in third-party infringement suits. Suppiger established the principle that a patentee who misuses a patent has “unclean hands” that preclude enforcement of the underlying patent against infringers unless and until the misuse has been fully “purged” and its effects have dissipated.95 Critics of the misuse doctrine have long argued that this remedy is much too harsh.96 It is said that it lets a defendant malefactor escape infringement liability because a plaintiff malefactor has wrongfully abused patent rights in a manner not directly injuring the defendant malefactor. It is claimed that this is unfair, on multiple grounds.

First, it is not always clear what is misuse and what is legitimate under patent policy. For example, as yet there is no clear Supreme Court authority that agreements to suppress competing technology are contrary to patent policy.97 There is lower court authority that it is misuse, both in patent licensing98 and copyright licensing.99 But, in the 2010 Princo case, the Federal Circuit held (using a now defunct, antitrust-based theory of patent misuse) that it was not misuse to agree to suppress a competitive technology. Since the Federal Circuit’s reasoning used an antitrust policy rather than patent policy,100 it would not be surprising if the Supreme Court held the practice to be patent misuse in a future case. If such a case had facts similar to those alleged in Princo, and infringement damages were at stake as they were in the Suppiger case, that would surely lead to a renewed effort to overturn the “harsh” Suppiger rule. Arguably, Kimble would be no obstacle, since that issue was not presented in Kimble and thus may be perceived as open to debate. Why, it could be argued, should patentees be deprived of their property rights when it was not clear that they are misusing them? Should it not be enough that the patentee is ordered to stop engaging in the practice in the future?


94 FTC v Actavis Inc 570 U.S. ___ 133 S. Ct. 2223 (2013) did not consider the enforceability of such agreements, as in Lear, nor did it adopt a blanket rule as in Lear that such agreements were all unlawful as a contrary to public policy. Instead, the court opted for an analysis under the rule of reason to weigh a number of factors such as “likely anticompetitive effects, redeployment values, market shares, market power, market considerations present in the circumstances,” at 2231. The court indicated, however, that a full-scale, elaborate rule of reason analysis with detailed proof of specific anti-competitive effects in a well-defined relevant market was not needed: at 2237–2238. Apparently, the Actavis court considered the dynamics of the drug industry and this type of agreement more complex than the context of the Lear case and therefore it attempted to fashion a more nuanced legal test.

95 Cf United States v Glaxo Group Ltd 410 U.S. 52 (1973), in which the Supreme Court gave the Government a commission to bring suits to invalidate allegedly spurious patents only where the patents were intertwined in some way with antitrust violations.

96 B.B. Chemical v Ellis 314 U.S. 405 (1942); see Morton Salt v Suppiger 314 U.S. 488, 493 (1942). B.B. Chemical was a companion case to Suppiger that developed more fully the requirement for “purification” before misuse would stop preventing relief.


98 The Supreme Court came very close, but not all the way, in United States v U.S. Gypsum Co 333 U.S. 364 (1948) (Gypsum I). In that case the court condemned a licensing programme by which all of the gypsum board industry combined to “regiment” the industry completely, fix prices and ensure that “the production of competitive unpatented products [was] suppressed”: at 400. In that case, the patented, “closed edge boards” competed with unpatented, “open edge boards”, and the principal manufacturers agreed to stop making the open edge boards. But the court did not hold that aspect of the conspiracy, by itself, an antitrust violation. The misuse aspects of this ruling were explored further in United States Gypsum Co v National Gypsum Co 352 U.S. 457 (1957) (Gypsum II). In that case, the majority stated that the misuse based on suppressing the open board technology was never fully adjudicated: at 472–473.

99 E.g., National Lockwasher Co v George K. Garret Co 137 F. 2d 255 (3d Cir. 1943).

100 Lasercomb America Inc v Reynolds 911 F. 2d 970 (4th Cir.1990) is the seminal copyright misuse case. In Lasercomb, the Fourth Circuit held that a licence clause forbidding the licence from developing any software competitive with the licensed software was misuse and made the copyright unenforceable. See also Practice Management Information Corp v American Med. Ass’n 121 F.3d 516, 520–521 (9th Cir.1997) (similar).

101 It would appear that patent policy is strongly opposed to using a restrictive clause in a patent licence to suppress a competitive technology. See two preceding footnotes.
Second, even where patent policy is clear, a harshness argument may be made. For one thing, not all types of patent misuse are deemed equally heinous; some are more and others less oppressive. The Seventh Circuit, in the *Panther Pumps* case, declared for a two-tier patent misuse system and in effect limited the Supreme Court’s *Suppiger* decision, at least for violations of the *Lear* case’s rule against licence clauses prohibiting challenges to patent validity. In the *Panther Pumps* case, the Seventh Circuit accepted the argument that the *Suppiger* remedy was too harsh in the circumstances and concluded that licence clauses contrary to *Lear* were unenforceable as contract clauses but were “not the kind of misuse which forecloses recovery of damages” from an infringer with no licence. The court did not propose applying its concept, however, to other types of misuse.

The argument on the other side is that the proposed counter-rule of misuse lenity would encourage patentees to engage in practices that extend the scope of their patent monopolies beyond the limits of what their claims cover, to the harm of the public. If the worst that can befall an abuser of patent rights is unenforceability of the restrictive agreement later held to be misuse, then the game is asymmetrical—the governing principle for patentees becomes “nothing ventured, nothing gained.” Besides, the patentee profits if the practice goes unchallenged or prevails in court and at worst the patentee breaks even if a court holds the practice unlawful misuse. There is little or no downside for the patentee. Presumably, that is why so many drug companies paid accused infringers not to challenge patent validity before the *Actavis* decision. In such asymmetrical circumstances, some might well see a need for the rule of *pour encourager les autres*.

The *Kimble* decision will not make those who think the present US patent misuse doctrine is too harsh creep away and vanish into mouse holes. The next development in the unfolding, post-*Kimble* evolution of the patent misuse doctrine may well be an attack on the *Suppiger* rule. Perhaps some compromise position may emerge—such as that unenforceability against infringers is proper only when a preponderance of lower court authority (or a Supreme Court decision) indicates that a practice violates patent policy. Or, perhaps, some types of misuse would be considered more pernicious than others, and only misuse in the first degree would receive full *Suppiger* treatment while misuse in the second degree would result only in the unenforceability of the restriction. But such rules might be too uncertain and difficult in their application. Another practicable position is that a prudent person will not walk too close to the edge of a precipice—and one who insists on doing so deserves little sympathy.

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100 *Panther Pumps v Hydrocraft* 468 F. 2d 225, 232 (7th Cir. 1972).
101 Other lower courts have followed the *Panther Pumps* decision. See *Bayer AG v Housey Pharmas* 228 F. Supp. 2d 467, 474 (D. Del. 2002) (“The inclusion of a provision in a license agreement that is unenforceable under *Lear*, however, does not constitute patent misuse.”); *Congoleum Indus. Inc v Armstrong Cork Co* 366 F. Supp. 220, 233 (E.D. Pa. 1973) (“the application of the doctrine of patent misuse to bar enforcement of Congoleum’s patents would be too drastic”).
102 Limiting factors were present in the *Panther Pumps* case. The court said: “A fair appraisal of the policy considerations which underlie the patent system itself, in our view, makes it inappropriate to preclude enforcement of a valid patent against an infringing non-licensee simply because an unenforceable provision has been included in a patent license agreement” with third parties. The court qualified its statement as well, by noting the absence of harm: “The case would, of course, present a different issue if either the license provision or the patentee’s exploitation of his patent produced economic consequences raising serious questions under the antitrust laws.”
103 There is a procedural doctrine in US constitutional law called the exclusionary rule. It provides that evidence obtained in violation of the defendant’s constitutional rights is inadmissible. See *Mapp v Ohio* 367 U.S. 643 (1961); *Weeks v United States* 232 U.S. 383 (1914). There are many extremely zealous policemen who are determined to put villains away, at any cost. This at times results in the violation of the villains’ constitutional rights, such as those against improper seizures of evidence. In such cases the courts, at least in principle, will exclude from reception into evidence the unlawfully obtained evidence, even though this results in some guilty villains escaping deserved punishment. The courts adopted the exclusionary rule because (the courts thought) otherwise the policeman would continue to violate the Constitution. See *Mapp* 367 U.S. at 656 at (“the purpose of the exclusionary rule is ‘to deter—to compel respect for the constitutional guaranty in the only effective available way—by removing the incentive to disregard it’”) (quoting *Elkins v United States* 364 U.S. 206, 217 (1960)). The US courts considered it more important that the Constitution be obeyed than that every villain receive due punishment. It is left as an exercise for the reader to determine whether the US exclusionary rule is a proper analogy for evaluating the *Suppiger* case’s allowing some infringers to escape liability in order to encourage patentees not to commit patent misuse.
104 Another analogy that may be suggestive when considering the positive and negative social implications of the *Suppiger* rule is that the US Supreme Court abolished the doctrine of *in pari delicto* in antitrust treble damages cases in order to further enforcement of antitrust policy by “private attorney-generals.” See *Perma Life Mufflers Inc v International Parts Corp* 392 U.S. 134, 139 (1968) (“The plaintiff who reaps the reward of treble damages may be no less morally reprehensible than the defendant, but the law encourages his suit to further the overriding public policy in favor of competition. A more fastidious regard for the relative moral worth of the parties would only result in seriously undermining the usefulness of the private action as a bulwark of antitrust enforcement.”).