The Federal Circuit: Jurisdictional Expansion into Antitrust Issues Relating to Patent Enforcement

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I. INTRODUCTION

Reconciling the interrelationship between patent and antitrust law has long been a topic of concern to courts as well as to commentators. Antitrust law and intellectual property law are generally seen as being in conflict.[1] Patent law is concerned with the creation and commercial exploitation of a statutory grant of monopoly power while antitrust law is concerned with proscribing various kinds of monopoly power. The Court of Appeals for the Federal Circuit has exclusive jurisdiction over patent appeals and has decided cases in which patent law and antitrust law have intersected. Recent cases decided by the Federal Circuit have raised serious questions regarding the potential bias created toward patent rights

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[1] *See* SCM Corp. v. Xerox Corp., 645 F.2d 1195, 1203-05 (2d Cir. 1981) (summarizing the conflict between intellectual property law and antitrust law) ("The conflict between the antitrust and patent laws arises in the methods they embrace that were designed to achieve reciprocal goals. While the antitrust laws proscribe unreasonable restraints of competition, the patent laws reward the inventor with a temporary monopoly that insulates him from competitive exploitation of his patented art.").

when crossed with antitrust restraints. Concerns were raised when the Federal Circuit developed its own interpretation of antitrust laws instead of applying regional circuits' interpretation of antitrust laws when antitrust counterclaims are raised in patent litigation.[2] A related concern is whether the Federal Circuit is exercising the role envisioned by Congress. With equal importance, the patent and antitrust laws are complementary and serve the public in different ways.

This paper will argue that the Federal Circuit is correctly balancing the competing policies behind antitrust and intellectual property by applying its own choice-of-law rules when deciding whether patent litigation brought for the sole purpose of inflicting an anticompetitive injury can be the basis of antitrust liability. The Federal Circuit's expansive interpretation of its jurisdiction over antitrust claims is appropriate and strikes a proper balance between patent law and antitrust law. This jurisdictional expansion is consistent with the Supreme Court's precedent, Congress's vision of uniformity, and the balance between patent law and antitrust law. The Federal Circuit has narrowed the choice-of-law to be applied when deciding antitrust issues in the patent enforcement context consistent with a proper balance of patent and antitrust laws. The difficulty which might arise from narrowing the choice-of-law rule is *de minimis* when compared to a more stable and uniform patent law and antitrust interplay. Finally, the Federal Circuit's controversial decisions involving the intersection of patent law with antitrust law demonstrate the Federal Circuit's ability to strike a proper balance between the two related and complementary areas.

Section I of this paper will provide an overview of how the Federal Circuit was created and the cases that have developed the scope of the Federal Circuit's jurisdiction. This section will demonstrate that the Federal Circuit may properly expand its jurisdiction into particular antitrust issues and remain within the jurisdictional scope intended by Congress. Section II will discuss the development of the Federal Circuit's choice-of-law rules and cases that have expanded the scope of the Federal Circuit's jurisdiction to apply to non-patent cases. Section III will analyze the choice-of-law principles and the implications of deciding antitrust counterclaims particularly after the *Nobelpharma AB v. Implant Innovations, Inc.*[3] decision. Section IV will demonstrate the practicality and sensibility of the Federal Circuit's application of its own

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[2] Robert Pitofsky, Chairman, Fed. Trade Comm'n, Challenges of the New Economy: Issues at the Intersection of Antitrust and Intellectual Property, Remarks Before the American Antitrust Institute (June 15, 2000), *available at* http://www.ftc.gov./speeches/pitofsky/000615speech.htm) [hereinafter "Pitofsky Remarks"].

[3] Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059 (Fed. Cir. 1998).

law when deciding antitrust counterclaims and the consistency with Congress's vision of the role of this court.

II. THE EXPANSION OF THE FEDERAL CIRCUIT'S JURISDICTION OVER CERTAIN ANTITRUST ISSUES

The Federal Circuit's treatment of and jurisdictional expansion over antitrust claims settle the confusing split of authority Congress attempted to combat when it created the Federal Circuit. Therefore, a discussion of the reasons for the existence of the Federal Circuit Court of Appeals is germane. Congress created the Federal Circuit in 1982 to solidify the varying lines of patent law that were developing among the district courts. According to legislative history, the purpose of the Federal Courts Improvement Act of 1982[4] was to create a forum that would "increase doctrinal stability in the field of patent law."[5] The Federal Court Improvement Act of 1982 sought "to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exist in the administration of patent law" by creating the Federal Circuit to hear appeals and set binding precedent in patent cases.[6] The general jurisprudence of the Federal Circuit has been to apply its own substantive law to patent issues and the appropriate regional circuit law to non-patent issues.[7]

Article I, Section 8, Clause 8 of the Constitution says that Congress shall have the power to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."[8] Congress thus gave inventors the right to exclude others from making, using, or selling the invention, without the consent of the patent owner, for a period of time.[9] Congress created the United States Court of Appeals for the Federal Circuit to increase uniformity in patent law and to free the judicial process from forum shopping caused by conflicting patent

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[4] 28 U.S.C.A. § 1961 (West Supp. 2005).

[5] The evidence compiled "singled out patent law as an area in which the application of the law to the facts of a case often produces different outcomes in different courtrooms in substantially similar cases. Furthermore, in a Commission survey of practitioners, the patent bar indicated that the uncertainty created by the lack of a national law precedent was a significant problem . . . ." S. REP. NO. 97-275, at 5 (1981) (footnote omitted), *as reprinted in* 1982 U.S.C.C.A.N. 11, 15.

[6] Panduit Corp. v. All States Plastic Mfg. Co., 744 F.2d 1564, 1574 (Fed. Cir. 1984) (quoting H.R. REP. NO. 97-312, at 23 (1981)). *Panduit* includes an extensive discussion of the jurisdiction and jurisprudence of the Federal Circuit.

[7] *Id.* at 1573.

[8] U.S. CONST. art. I, § 8, cl. 8.

[9] *See, e.g.*, Atari Games Corp. v. Nintendo of Am., Inc., 897 F.2d 1572, 1576 (Fed. Cir. 1990); *In re* Etter, 756 F.2d 852, 859 (Fed. Cir. 1985).

decisions of the regional circuits. Congress's objectives in creating a Federal Circuit with exclusive jurisdiction over certain patent cases were "to reduce the widespread lack of uniformity and uncertainty of legal doctrine that existed in the administration of patent law."[10] Congress has stated that cases will be "within the jurisdiction of the Court of Appeals for the Federal Circuit in the same sense that cases are said to 'arise under' federal law for purposes of federal question jurisdiction."[11]

The jurisdictional statute, 28 U.S.C. § 1295(a), provides that where the jurisdiction of the district courts is based "in whole or in part, on section 1338 of this title," the Federal Circuit shall have exclusive jurisdiction of appeals from the final decisions of those district courts.[12] Under 28 U.S.C. § 1338(a), the district courts have original and exclusive jurisdiction over "any civil action arising under any Act of Congress relating to patents." Further, district courts have original jurisdiction over civil actions asserting unfair competition claims "when joined with a substantial and related" patent, trademark, or copyright claim.[13] The Federal Circuit thus has exclusive power to review final decisions in cases where the jurisdiction was based at least in part on a claim arising under the patent laws.

Commentators have argued that the phrase "based, in whole or in part, on section 1338," could support several types of jurisdiction.[14] However, the Supreme Court in *Christianson v. Colt Industries*

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[10] *Panduit*, 744 F.2d at 1574; Christianson v. Colt Indus. Operating Corp., 486 U.S. 800, 813 (1988) (citing H.R. REP. NO. 97-312, at 23 (1981)).

[11] H.R. REP. NO. 97-312, at 41 (1981).

[12] 28 U.S.C.A. § 1295(a)(1) (West Supp. 2005) provides:

> The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title, except that a case involving a claim arising under any Act of Congress relating to copyrights, exclusive rights in mask works, or trademarks and no other claims under section 1338(a) shall be governed by sections 1291, 1292, and 1294 of this title.

[13] 28 U.S.C.A. § 1338(b) (West Supp. 2005).

[14] *See* Judge Jon O. Newman, *Tails and Dogs: Patent and Antitrust Appeals in the Court of Appeals for the Federal Circuit*, 10 APLA Q.J. 237, 238-39 (1982). Judge Newman summarized three basic approaches to the Federal Circuit's jurisdiction as (1) the traditional "arising under" jurisdiction if the claim (but likely not a defense) in the district court arose under the patent laws, (2) "case" jurisdiction where the entire case is appealable to the Federal Circuit if there was a patent issue in the case, regardless of whether the issue was raised as a defense or claim, and (3) "issue" jurisdiction where only the patent issue is appealable to the Federal Circuit while the remaining issues for appeal are heard by the applicable regional circuit.

Operating Corp.,[15] limited the Federal Circuit's broad appellate jurisdiction by applying the well-pleaded complaint rule. The plaintiff in *Christianson* brought an antitrust action alleging a concerted refusal to deal, i.e. monopolization and the restrain on trade in the relevant market.[16] The defendant argued that any refusal to deal was justified under state trade secret law.[17] However, the plaintiff anticipated this defense and included in its claim that the trade secrets were unenforceable since the secrets should have been disclosed in the defendant's patents.[18] The district court granted summary judgment in favor of the plaintiff and the defendant appealed to the Federal Circuit, which in turn transferred the appeal to the Seventh Circuit pursuant to 28 U.S.C. § 1631 because the case did not arise under the patent laws.[19] The Supreme Court granted certiorari and held that Federal Circuit jurisdiction turns on whether the case arises under a federal patent statute.[20] The Court further explained that Federal Circuit jurisdiction extends only to those cases where there is a well-pleaded complaint which establishes that either the cause of action or the right to relief depends on federal patent law.[21] The Court reasoned that if the claim did not "arise under" the patent laws then the Federal Circuit lacks jurisdiction to decide the antitrust issue.[22] In other words, the Federal Circuit's jurisdiction extends "only to those cases in which a well-pleaded complaint" confers jurisdiction in the district court.[23] Jurisdiction thus extends only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law.[24] Therefore, Federal Circuit jurisdiction cannot be conferred when the defense of federal question is raised and is anticipated in the plaintiff's complaint.

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[15] 486 U.S. 800, 807-13 (1988).

[16] *Id.* at 804. Christianson alleged a number of theories and courses of conduct by which Colt had monopolized and restrained trade in the market for parts for the M16 rifle.

[17] *Id*. at 805-06.

[18] *Id*. at 806.

[19] *Id*. at 818. The Federal Circuit is, by this transfer statute, limited to a choice between two simple alternatives once it found it lacked jurisdiction. The court is to dismiss the case or transfer the case to a court of appeals that has jurisdiction. A court may not extend its jurisdiction where none exists, even in the interest of justice. *See* Vink v. Schijf, 839 F.2d 676 (Fed. Cir. 1988); Gronholz v. Sears, Roebuck & Co., 836 F.2d 515 (Fed. Cir. 1987).

[20] *Christianson*, 486 U.S. at 807.

[21] *Id.* at 807-12.

[22] *Id.* at 809.

[23] *Id.*

[24] *Id.*

Christianson teaches that a court must look to the elements of the claims appearing on the face of the complaint and must determine whether patent law is a necessary element of one of the well-pleaded claims. A district court must therefore ascertain whether all the theories by which a plaintiff could prevail on a claim rely solely on resolving a substantial question of federal patent law. The Federal Circuit has stated that, under *Christianson*, a claim supported by alternative theories in the complaint may not form the jurisdictional basis unless patent law is essential to each theory.[25]

Despite the Supreme Court's decision that Federal Circuit jurisdiction extends "only to those cases in which a well-pleaded complaint" confers jurisdiction in the district court, the Federal Circuit has not interpreted its jurisdiction so narrowly. Indeed, the Federal Circuit anticipated the Supreme Court's decision in *Christianson* when it decided *Atari, Inc. v. JS & A Group, Inc.*[26] In that case, the Federal Circuit concluded that its appellate jurisdiction must be determined by reference to whether a claim in the underlying case "arises under" the patent statute.[27] In *Atari*, the Federal Circuit acknowledged that Congress designed the Federal Circuit to have jurisdiction "over appeals from decisions in 'cases' in which the district court's jurisdiction 'was based, in whole *or in part*, on Section 1338.'"[28] Therefore, a case in the district court involving patent law and antitrust issues must be appealed to the Federal Circuit, even if the patent issues were already resolved in the district court and the only issue remaining is the antitrust claim or if the non-patent claims are tried separately in the district court and appealed without the patent claims.[29] For example, in *Korody-Colyer Corp. v. General Motors Corp.*,[30] the Federal Circuit had jurisdiction to hear an appeal of a Walker Process claim[31] after previously affirming a judgment that invalidated the patent. The Federal Circuit thus hears antitrust claims that would otherwise be heard by regional courts of appeals by broadly

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[25] American Tel. & Tel. Co. v. Integrated Network Corp., 972 F.2d 1321, 1324 (Fed. Cir. 1992) (citing *Christianson*, 486 U.S. at 810).

[26] 747 F.2d 1422 (Fed. Cir. 1984).

[27] *Id.* at 1431-32.

[28] *Id.* at 1429.

[29] *See id.*

[30] 828 F.2d 1572 (Fed. Cir. 1987).

[31] *See* Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172 (1965). As explained by the Supreme Court in *Walker Process*:

> The enforcement of a patent procured by fraud on the Patent Office may be violative of § 2 of the Sherman Act provided the other elements necessary to a § 2 case are present. In such event, the treble damage provisions of § 4 of the Clayton Act would be available to an injured party.

Id. at 174.

interpreting its appellate jurisdiction. However, the court recognizes that "increased uniformity in the substantive law of patents does not require that this court get its hands on every appeal involving an allegation that a patent law issue is somehow involved."[32]

After *Christianson*, the Federal Circuit extended the well-pleaded complaint rule to include well-pleaded compulsory counterclaims. In *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, [33] the defendant raised a compulsory counterclaim for patent infringement when the plaintiff sought a declaratory judgment of no misappropriation of trade secrets. The court held that it had jurisdiction over the appeal in cases where the complaint was based on diversity and a compulsory counterclaim for patent infringement was present.[34] The court reasoned that to hold that the Federal Circuit has jurisdiction when a well-pleaded patent infringement claim is the basis of a pleading labeled "complaint" but not when the same well-pleaded claim is the basis of a pleading labeled "counterclaim" would seem incongruous.[35] The right to file a counterclaim for patent infringement is unique to patent law and thus warrants a uniform national rule for the Federal Circuit to determine.[36] In other words, it would be irrational to distinguish between complaints and counterclaims when determining the direction of an appeal to the Federal Circuit when the counterclaim arises under the patent laws.[37] The Federal Circuit has concluded that a defendant may direct the appeal to the Federal Circuit by asserting a patent counterclaim, regardless of the claims in the complaint. Furthermore, the Federal Circuit has jurisdiction over entire cases.[38] Therefore, cases involving the patent laws are appealed to the Federal Circuit and the direction of appeal to the Federal Circuit does not change during or after trial, even when the only issues remaining are not within its exclusive assignment. In cases involving both patent and non-patent claims, the court has jurisdiction over the non-patent claims as well as the patent claims. This is in order to avoid creating fresh opportunities for forum shopping, to avoid bifurcation of issues and cases at trial and on appeal, to remove uncertainty and the

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[32] *Atari, Inc.*, 747 F.2d at 1429.

[33] 895 F.2d 736 (Fed. Cir. 1990).

[34] *Id.* at 745.

[35] *Id.* at 742.

[36] *See* Vivid Techs. Inc. v. Am. Sci. & Eng'g, Inc., 200 F.3d 795 (Fed. Cir. 1999). The court did not decide what the result would be in the event the counterclaim was only permissive.

[37] *Aerojet-Gen. Corp.*, 895 F.2d at 742.

[38] *See* Holmes Group, Inc. v. Vornado Circulation Sys., Inc., 535 U.S. 826, 832 n.3 (2002) (reaffirming that the Federal Circuit's appellate jurisdiction is over the entire case, not just patent issues on appeal).

abuses of procedural maneuvering, and to facilitate resolution of disputes.[39]

The Federal Circuit's extension of the well-pleaded complaint rule to include compulsory counterclaims is consistent with the Supreme Court's holding in *Christianson*. The Supreme Court has stated that a court may not extend its jurisdiction where none exists, even in the interest of justice.[40] The Federal Circuit strictly construes its jurisdiction in harmony with its congressional mandate. Like all other federal appellate courts, the Federal Circuit is a legislative creation, deriving its power solely from a statutory mandate with limited jurisdiction.[41] All federal courts have the duty to examine and determine their own jurisdiction. The Federal Circuit has inherent jurisdiction, as do all appellate courts, to determine its own jurisdiction and that of the tribunal from which the appeal was taken. The Federal Circuit's *AeroJet-General Corp.* decision recognizes that the lack of appellate subject matter jurisdiction is a defect in the court's authority to act and thus the case should be either dismissed or transferred to a court of appeals that does have jurisdiction.[42] As the *Aerojet-General Corp.* court stated, "Congress anticipated the need for interpretation of [the Federal Circuit's] jurisdictional mandate."[43] Acting within congressional mandate, the Federal Circuit may recharacterize pleadings that would improperly evade the intent of Congress. As the court noted, "the mere labeling and sequencing of pleadings in the trial tribunal cannot be allowed to control every exercise of this court's appellate jurisdiction."[44]

It would clearly evade the intent of Congress and would clearly be irrational for the court to distinguish between complaints and counterclaims when considering the appropriate appellate path for patent claims. All courts have the duty to determine that an appeal is properly before it and the Federal Circuit shares this determination as well. The Supreme Court recognized this duty when it stated that the "determinations about federal jurisdiction require sensitive judgment about congressional intent, judicial power, and the federal system."[45] The Federal Circuit will follow the law as interpreted by the circuit in which the district court is located; however, such deference is inappropriate on issues of the Federal Circuit's own jurisdiction. Unlike other courts, the

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[39] Atari, Inc. v. JS & A Group, Inc., 747 F.2d 1422, 1435-41 (Fed. Cir. 1984).
[40] Christianson v. Colt Indus. Operating Corp., 486 U.S. 800, 803 (1988).
[41] *Id.*
[42] *Aerojet-Gen. Corp.*, 895 F.2d at 739 n.5.
[43] *Id.* at 739 (quoting H.R. REP. NO. 97-312, at 41 (1981)).
[44] *Id.* at 740.
[45] *Christianson*, 486 U.S. at 809 n.2 (quoting Merrell Dow Pharm. Inc. v. Thompson, 478 U.S. 804, 810 (1986)).

Federal Circuit does not have supervisory authority over district courts and may not reassign a case to another district judge, despite allegations of bias.[46] Congress clearly intended for the Federal Circuit to hear well-pleaded and non-frivolous patent law claims, both complaints *and counterclaims*, which arise under the patent laws, in order to maximize the court's ability of achieving congressional objectives.[47] Therefore, there is no conflict between a proper application of the Supreme Court's well-pleaded complaint rule articulated in *Christianson* and the Federal Circuit's determination that it "has appellate jurisdiction when a non-frivolous well-pleaded compulsory patent law counterclaim is present in a case originally and properly filed in the district court."[48] The expansion of the scope of the Federal Circuit's jurisdiction to cover antitrust issues is consistent with Congress's vision, Supreme Court precedent, and the balance between patent law and antitrust law.

III. THE FEDERAL CIRCUIT'S CHOICE-OF-LAW RULE

Before *Nobelpharma AB v. Implant Innovations, Inc.*,[49] the general jurisprudence of the Federal Circuit had been to apply its own substantive law to patent issues and the appropriate regional circuit law to non-patent issues. The Federal Circuit recognized that its exercise of jurisdiction over non-patent issues might result in the type of appellate forum shopping with which Congress was concerned. Many patent infringement suits involve antitrust issues which arise either in the context of patent misuse defenses or direct claims and counterclaims for violation of federal antitrust laws. In order to minimize forum shopping, the Federal Circuit applies the law of the "involved circuit" to issues which it normally has no jurisdiction. Accordingly, the district courts are obligated to "follow the guidance of their particular circuits" in all except those issues where the Federal Circuit has exclusive jurisdiction.[50] For example, in *Atari*, the plaintiff claimed that the defendant infringed its patent. The district court enjoined the defendant from contributory copyright infringement in connection with the defendant's sale of ink cartridges. The defendant appealed the copyright injunction to the Federal Circuit, which applied the law of the involved circuit to the issue

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[46] *See* Peterson Mfg. Co. v. Cent. Purchasing, Inc., 740 F.2d 1541, 1552 (Fed. Cir. 1984) ("We do not sit to judge the character of district court judges.").

[47] *See Aerojet-Gen. Corp.*, 895 F.2d at 744.

[48] *Id.* at 741.

[49] Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059 (Fed. Cir. 1998).

[50] Atari, Inc. v. JS & A Group, Inc., 747 F.2d 1422, 1439 (Fed. Cir. 1984).

because it was one which "normally possesses no jurisdiction."[51] The Federal Circuit recognized that district courts would be obligated to follow the guidance of their regional circuits in all but the substantive issues assigned exclusively to the Federal Circuit.

The court further applied this rule when it decided *Cygnus Therapeutics Systems v. Alza Corp.* by applying regional circuit law to the antitrust claim before it.[52] In *Cygnus*, a competitor alleged that a patent holder had violated antitrust laws and sought a declaratory judgment on the patent's validity and enforceability. Alza owned a patent that stood as a roadblock in the way of the marketing and production of Cygnus's product.[53] Cygnus alleged a Walker Process claim[54] against Alza asserting that Alza procured its patent through "deliberate fraud on the Patent Office" by misrepresenting prior art, which enabled Alza to obtain a patent which in turn stifled competition.[55] The Federal Court affirmed the district court's decision and found that Alza did not enforce its patent in an anti-competitive manner.[56] In determining whether the district court correctly decided the issue in favor of Alza on Cygnus's Walker Process claim, the Federal Circuit applied the law of the regional circuit in which the district court sits.[57] In general, therefore, the Federal Circuit would approach a federal antitrust claim as would the regional court of appeals for the circuit that includes the district court whose judgment is being reviewed.[58]

The Federal Circuit was cautious in its treatment of choice-of-law issues and generally avoided its discussion by merely deferring to the regional circuits. The choice-of-law rule articulated in *Atari* and applied in *Cygnus* was a prophylactic principle applied to prevent litigators from the forum shopping Congress envisioned. In order to minimize a constant transfer of appeals, and accordingly the amount of forum shopping, the

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[51] *Id.* at 1436 n.12 (citing S. Corp. v. United States, 690 F.2d 1368 (Fed. Cir. 1982)).

[52] 92 F.3d 1153 (Fed. Cir. 1996). *See also* Loctite Corp. v. Ultraseal Ltd., 781 F.2d 861, 875 (Fed. Cir. 1985) ("We must approach a federal antitrust claim as would a court of appeals in the circuit of the district court whose judgment we review.").

[53] *Cygnus*, 92 F.3d at 1160.

[54] *See* Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172 (1965).

[55] *Cygnus*, 92 F.3d at 1162.

[56] *Id.*

[57] *Id.* at 1161 ("We must approach a federal antitrust claim as would a court of appeals in the circuit of the district court whose judgment we review." (citing *Loctite Corp.*, 781 F.2d at 875)). The court, in *Cygnus*, followed Ninth Circuit precedent on this issue. In the Ninth Circuit, "[w]ithout some effort at enforcement, the patent cannot serve as the foundation of a monopolization case." Cal. E. Lab., Inc. v. Gould, 896 F.2d 400, 403 (9th Cir. 1990) (affirming a district court dismissal of a Walker Process claim where the plaintiff did not allege that the defendant "actually attempted to enforce the patents").

[58] *Loctite Corp*., 781 F.2d at 875.

Federal Circuit followed the guidance of the circuit court involved. Without the application of the *Atari* choice-of-law rule, litigants would have an opportunity to forum shop by providing an escape from the law of the involved circuit.

The Federal Circuit's choice-of-law rule was changed after *Nobelpharma* was decided. *Atari* and *Cygnus* were overruled and the Federal Circuit no longer turned to the regional circuits for guidance with regard to all non-patent issues. After *Nobelpharma*, certain antitrust issues were decided without the guidance of regional circuit precedent. The Federal Circuit limited its own choice-of-law rules relating to certain antitrust issues. The court decided for the first time that "all antitrust claims premised on the bringing of a patent infringement suit" would now be decided as a question of Federal Circuit law, even though antitrust law is not within its exclusive jurisdiction.[59] Thus, in deciding whether conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from antitrust laws, Federal Circuit law applies.[60] This new choice-of-law rule applies to all antitrust claims premised on the bringing of a patent infringement suit.[61] In *Nobelpharma*, the patentee, Nobelpharma AB ("Nobelpharma"), brought an action for infringement of its dental implant patent against Implant Innovations, Inc. ("Implant"). Implant counterclaimed for antitrust violations based on the assertions that Nobelpharma attempted to enforce a patent it knew was invalid and unenforceable.[62] The district court found that Nobelpharma did not have a valid patent and thus allowed the jury to hear only Implant's antitrust counterclaim.[63] The jury found that Nobelpharma's patent was obtained through fraud on the Patent Office, that Nobelpharma knew that its patent was fraudulently obtained when it commenced the infringement action against Implant, and that Nobelpharma brought the infringement suit to intentionally interfere with Implant's competition in the relevant market.[64] The district court thus held Nobelpharma liable for violating the antitrust laws.

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[59] Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1068 (Fed. Cir. 1998).

[60] *Id.*

[61] *Id.*

[62] *Id*. at 1062.

[63] *Id.* at 1063. Nobelpharma's patent was invalid for failure to disclose the best mode when it did not list a 1977 publication as a reference. *Id.* at 1062. The evidence at trial led the court to believe that the inventor possessed a preferred method of making the claimed invention and failed to disclose it sufficiently to enable those skilled in the art to practice that method, as required by the best mode requirement of 35 U.S.C. § 112. *Id.* at 1065.

[64] *Id.* at 1063.

On appeal to the Federal Circuit, Judge Laurie recognized case law precedent holding that when reviewing a district court's judgment involving federal antitrust law, the Federal Circuit should be guided by the law of the regional circuit in which that district court sits.[65] However, the Federal Circuit chose to overrule its precedent and held that "whether conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from the antitrust laws is to be decided as a question of Federal Circuit Law."[66] The court explained that an 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 and are frequently appealed to the Federal Circuit.[67] Judge Laurie continued by stating that the Federal Circuit was "in the best position to create a uniform body of federal law on this subject and thereby avoid the 'danger of confusion [that] might be enhanced if this court were to embark on an effort to interpret the laws' of the regional circuits," and that this rule was to be applied to all antitrust claims premised on the bringing of a patent infringement suit.[68] The application of the Federal Circuit's own law is limited, however, and when issues involving other elements of antitrust law which are not unique to patent law, such as relevant market, market power, and damages, the laws of the regional circuits are still applied.[69] Therefore, in deciding whether conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from the antitrust laws, Federal Circuit law applies.[70] This conclusion applies equally to *all* antitrust claims premised on the bringing of a patent infringement suit.[71] The *Nobelpharma* court therefore provided a clear test for defining what conduct tips the balance from inequitable conduct to fraud such that the patentee is stripped of his or her immunity from antitrust liability.

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[65] *Id.* at 1067 (citing Loctite Corp. v. Ultraseal Ltd., 781 F.2d 861, 875 (Fed. Cir. 1985); Cygnus Therapeutics Sys. v. Alza Corp., 92 F.3d 1153, 1161 (Fed. Cir. 1996)).

[66] *Id.* at 1068 ("Accordingly, we hereby change our precedent and hold that whether conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from the antitrust laws is to be decided as a question of Federal Circuit law.").

[67] *Id.* at 1067-68.

[68] *Id.* at 1068 (citing Forman v. United States, 767 F.2d 875, 880 (Fed. Cir. 1985)).

[69] *See In re* Indep. Serv. Org. Antitrust Litig., 203 F.3d 1322 (Fed Cir. 2000) (applying regional circuit law when evaluating conduct with respect to copyrighted diagnostic software). *See also* Midwest Indus., Inc. v. Karavan Trailers, Inc., 175 F.3d 1356 (Fed. Cir. 1999) ("[W]e should abandon our practice of applying regional circuit law in resolving questions involving the relationship between patent law and other federal and state law rights. Henceforth, we will apply our own law to such questions.").

[70] *Nobelpharma*, 141 F.3d at 1068.

[71] *Id.*

The Federal Circuit had two reasons for ruling that infringement based antitrust lawsuits are to be decided as a matter of Federal Circuit law. First, most patent-related antitrust issues are counterclaims to infringement actions and will be appealed to the Federal Circuit anyway.[72] Second, the court recognized that it is in the best position to create a uniform body of federal law on the subject of patent-related antitrust issues.[73] In deciding *Nobelpharma*, the Federal Circuit provided guidance for the analysis of patent misconduct affecting antitrust issues. By taking patent-related antitrust issues into its subject matter jurisdiction, the court provided coherence to the current debate on the proper balance between patent and antitrust law.[74] Although it may seem strange for a federal district court judge not to be governed by the precedents of his or her own circuit court of appeals on antitrust issues, Congress intended this situation in the interest of promoting a uniform patent law.

By having only the Federal Circuit Court of Appeals decide questions on antitrust claims premised on the bringing of a patent infringement suit, Congress's vision is preserved. It is within Congress's vision to have patent issues decided by a court in the best position to create a uniform body of law. *Nobelpharma* is defensible because patent and antitrust laws are complementary – the patent system encourages invention and the bringing of new products to the market by adjusting investment risk; antitrust laws foster industrial competition.[75] Furthermore, 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 (issues not unique to patent law).[76] The Federal Circuit's decision to apply its own law to antitrust cases arising from infringement suits was motivated by the court's intent to clarify federal jurisdiction over issues related to patent law. *Nobelpharma* creates a consistent jurisdictional authority over mixed cases of civil and patent law. Consistent jurisdictional authority will in turn lead to a uniform body of law. In conclusion, the Federal Circuit attempted to provide coherence to patent-related antitrust issues by providing guidance for the analysis of patent misconduct affecting antitrust issues and taking such cases into its subject matter jurisdiction.

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[72] *Id.* at 1067-68.

[73] *Id.*

[74] See Deirdre L. Conley, *Nobelpharma AB v. Implant Innovations, Inc.*, 14 BERKELEY TECH. L.J. 209 (1999), for an analysis on how the Federal Circuit addressed the antitrust-patent relationship by providing a clear test to determine whether a patent owner should be stripped of antitrust immunity.

[75] ROBERT L. HARMON, PATENTS AND THE FEDERAL CIRCUIT 688-89 (5th ed. 2001).

[76] *See Nobelpharma*, 141 F.3d at 1068.

The court's *Nobelpharma* choice-of-law rule would serve the policy goals of Congress in enacting the Federal Courts Improvement Act, specifically, predictability in the patent laws through the creation of a uniform body of law.[77] The Federal Circuit's choice-of-law rule articulated in *Nobelpharma* is necessary for the development of a uniform body of patent law.

IV. STABILITY AND UNIFORMITY IN THE PATENT AND ANTITRUST INTERPLAY

It has been argued that the Federal Circuit's choice-of-law rule "creates an unmanageable outcome because the court now applies its own law to issues that arise in cases over which it does not have exclusive jurisdiction."[78] For example, a district court faced with conflicting appellate authority with respect to the same issue must decide whether the appeal will be taken to the Federal Circuit Court of Appeals or a regional circuit court of appeals to determine which law to apply. This difficulty may be illustrated by comparing the Supreme Court's *Eastman Kodak Co. v. Image Technical Services, Inc*. ("*Kodak I*")[79] decision with the Federal Circuit's *In re Independent Service Organizations Antitrust Litigation* ("*Xerox*")[80] decision and the Ninth Circuit's *Image Technical Services, Inc. v. Eastman Kodak Co.* ("*Kodak II*")[81] decision.

The Federal Circuit articulated the circumstances in which a patent holder may be held liable for violating the antitrust laws when exercising its patent rights in the *Xerox* decision.[82] In *Xerox*, the antitrust plaintiff accused Xerox of refusing to sell its patented parts to independent service organizations that were competing to service and maintain Xerox copiers. The plaintiff claimed that Xerox's conduct would eliminate competition in the service markets since the independent service organizations were being denied access to certain patented parts. The plaintiff alleged Xerox was violating Section 2 of the Sherman Act and the defendant counterclaimed for patent infringement.[83] The Federal Circuit reconfirmed its exclusive appellate jurisdiction over the

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[77] *Id.* at 1068 (citing Forman v. United States, 767 F.2d 875, 880 n.6 (Fed. Cir. 1985)).

[78] Ronald S. Katz & Adam J. Safer, *Should One Patent Court Be Making Antitrust Law for the Whole Country?*, 69 ANTITRUST L.J. 687, 699 (2002).

[79] 504 U.S. 451 (1992).

[80] 203 F.3d 1322 (Fed. Cir. 2000), *cert. denied sub nom.* CSU, L.L.C. v. Xerox Corp., 531 U.S. 1143 (2001).

[81] 125 F.3d 1195, 1218 (9th Cir. 1997).

[82] *Xerox*, 203 F.3d at 1326.

[83] *Id.* at 1324.

restrictions antitrust law places on a patentee's exercise of its patent rights.[84] The court stated that the issue of "whether conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from the antitrust laws is to be decided as a question of Federal Circuit law."[85] The court then enumerated the circumstances in which a patent holder may be held liable for antitrust violations. First, a patentee may be held liable if "the asserted patent was obtained through knowing and willful fraud within the meaning of *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*"[86] Second, the patentee may be held liable if an infringement suit was instituted and "the infringement suit was a mere sham to cover what is actually no more than an attempt to interfere directly with the business relationships of a competitor."[87] Third, if the patent was used as a "tie" to extend market power beyond the patent grant (illegal tying), then the patent owner may be held liable.[88] The court further stated that in the absence of any indication of illegal tying, fraud on the Patent and Trademark Office, or 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.[89] The court refused to inquire into the patentee's subjective motivation for exerting his patent 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."[90]

The Federal Circuit chose to protect Xerox's patent rights despite any anticompetitive conduct the antitrust plaintiffs were willing to show. The court held that Xerox's conduct was not, as a matter of law, a violation of Section 2 of the Sherman Act. After this case, a patentee is essentially immune from antitrust liability for refusal to deal unless the antitrust plaintiff can show that (1) the patent was obtained by fraud on the Patent & Trademark Office (Walker Process-type claim); (2) the suit by the patentee was a "sham" as defined by *Professional Real Estate*

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[84] *Id.* at 1325.

[85] *Id.* at 1325 (quoting Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1068).

[86] *Id.* at 1326 (quoting Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172, 177).

[87] *Id.*

[88] *Id.* at 1327.

[89] *Id.*

[90] *Id.* at 1327-28. The Federal Circuit expressly declined to follow the Ninth Circuit's rebuttal-presumption rule that a patentee's exercise of its statutory right to exclude others from using its work is a presumptively valid business justification that may be overcome by looking to the subjective intent of the patent holder.

Investors, Inc. v. Columbia Pictures Industries, Inc. ("*PRE*")[91]; or (3) the patent was used as a "tie" to extend market power beyond the patent grant. It is important to note that as required by the rule in *Nobelpharma*, the court applied its own law when it decided whether the refusal to license or sell patented parts constituted a violation of the antitrust laws. However, when the court evaluated that conduct with respect to copyrighted diagnostic software, it applied regional circuit law, since copyright law is not within the Federal Circuit's exclusive jurisdiction.

The Supreme Court addressed the patent holder's refusal to deal when it decided *Kodak I*, prior to the Federal Circuit's *Xerox* decision.[92] In *Kodak I*, a manufacturer had a policy which limited the availability of replacement parts for its equipment which made it difficult for independent service organizations to compete. The independent service organizations brought an antitrust suit against the manufacturer. The Supreme Court noted that a patent holder could refuse to license, but such refusal was subject to a rebuttal presumption that refusing to license was harmful to consumers.[93] The Court stated in a footnote that even if a manufacturer possesses "some inherent market power in the parts market, it is not clear why that should immunize them from the antitrust laws in another market."[94] This proposition was given a narrow interpretation by the Federal Circuit's *Xerox* case where the court essentially held that a monopolist's mere refusal to license will be upheld regardless of the subjective motivation of the patentee. The Ninth Circuit, on the other hand, has given this proposition a relatively broad interpretation when it decided *Kodak II*,[95] on remand.

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[91] 508 U.S. 49, 60-61 (1993).

[92] Eastman Kodak Co. v. Image Technical Servs., Inc., 504 U.S. 451 (1992).

[93] *Id.* at 458.

[94] *Id.* at 479 n.29. Footnote 29 states that:

> [E]ven assuming, despite the absence of any proof from the dissent, that all manufacturers possess some inherent market power in the parts market, it is not clear why that should immunize them from the antitrust laws in another market. . . power gained through some natural and legal advantage such as a patent, copyright, or business acumen can give rise to liability if 'a seller exploits his dominant position in one market to expand his empire into the next.'

Id. At the time, however, intellectual property rights were not an issue before the court. *See* Jonathan Gleklen, Antitrust Liability for Unilateral Refusal to License Intellectual Property: Xerox and its Critics 6 (Spring 2001) (unpublished manuscript, *at* http://www.ftc.gov/opp/intellect/020501gleklen.pdf (last visited Oct. 10, 1005)) ("[F]ootnote 29 can be characterized as *dicta* because the *Kodak* case did not involve the rights of intellectual property owners — the only evidence before the Court was that none of Kodak's parts were patented.").

[95] Image Technical Servs., Inc. v. Eastman Kodak Co., 125 F.3d 1195, 1218 (9th Cir. 1997).

In *Kodak II*, a group of independent service organizations ("ISOs") challenged Eastman Kodak's practice of refusing to sell patented parts for its copiers to ISOs servicing its copiers.[96] The ISOs claimed that Eastman Kodak leveraged "its monopoly over Kodak parts to gain or attempt to gain a monopoly over the service of Kodak equipment," in violation of Section 2 of the Sherman Act.[97] The Ninth Circuit stated that "'exploit[ing] [a] dominant position in one market to expand [the] empire into the next' is broad enough to cover monopoly leveraging under Section 2."[98] The court further stated that "[n]either the aims of intellectual property law, nor the antitrust laws justify allowing a monopolist to rely upon a pretextual business justification to mask anticompetitive conduct."[99] Therefore, according to the Ninth Circuit, the presumption of a valid business justification in refusing to license in order to exclude others from patented work may be rebutted by evidence of pretext, such as a showing of the monopolist's state of mind or subjective motivations. The Ninth Circuit relied on the Supreme Court's footnote 29 in *Kodak I* when it decided this case. Footnote 29 of *Kodak I* states that "power gained through some natural and legal advantage such as a patent, copyright, or business acumen can give rise to liability if 'a seller exploits his dominant position in one market to expand his empire into the next.'"[100] However, intellectual property rights were not at issue before the Court in *Kodak II* because the defendant had not raised it.[101] Therefore, the footnote on which the Ninth Circuit relied when it decided *Kodak II* could be characterized as dicta.

The Federal Circuit's decision in *Xerox* simply reaffirmed the principle that a patent owner has the right to grant exclusive or nonexclusive licenses or to sue for infringement without placing a restraint on trade. The grant of an exclusive license is a lawful incident of the right to exclude provided by the patent laws and a patent owner has the right to exclude and select its licensees. Patent owners do not have to license the use of their inventions.[102] This principle conforms to a fundamental principle of antitrust law that companies are allowed to unilaterally choose with whom they want to conduct business.[103] The

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[96] *Id.* at 1200.

[97] *Id.* at 1208.

[98] *Id.* at 1216 (quoting *Kodak I*, 504 U.S. at 479 n. 29).

[99] *Id.* at 1219 (citing *Kodak I*, 504 U.S. at 484).

[100] Eastman Kodak Co. v. Image Technical Servs., Inc., 504 U.S. 451, 479 n.29 (citations omitted).

[101] *See* Gleklen, *supra* note 94 (manuscript at 6).

[102] 35 U.S.C.A. § 271(d)(4) (West Supp. 2005); Cont'l Paper Bag Co. v. E. Paper Bag. Co., 210 U.S. 405, 429 (1908).

[103] United States v. Colgate & Co., 250 U.S. 300, 307 (1919).

Xerox court correctly rewarded innovators by imposing antitrust liability only when the conduct in question is based on improperly seeking to expand on otherwise valid patent rights or when the conduct is based on an invalid patent claim. Because *Xerox* was decided in favor of the patentee, some in the antitrust community have perceived the court as giving undue deference to the principles of patent law. The former chairman of the Federal Trade Commission, Robert Pitofsky, expressed concern that recent cases have "upset the traditional balance in a way that has disturbing implications for the future of antitrust in high-technology industries."[104] However, it should be noted that the Federal Circuit sustained the district court's antitrust verdict in *Nobelpharma* and did not find in favor of the patentee.[105]

Another commentator has suggested that the *Xerox* decision expanded the Federal Circuit's jurisdiction to antitrust law, where Congress never intended the Federal Circuit to have influence.[106] Notwithstanding the commentary of some noted antitrust scholars and practitioners,[107] *Xerox* correctly draws the line between patent law and antitrust law. The respect that antitrust laws have towards the protection afforded to patents by the Constitution and the patent laws is demonstrated in *Xerox.*[108] However, Section 2 of the Sherman Act may

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[104] *See* Robert Pitofsky, *Challenges of the New Economy: Issues at the Intersection of Antitrust and Intellectual Property*, 68 ANTITRUST L.J. 913, 919 (2001); *see also* Robert Pitofsky, Speech Before the Antitrust and Technology Conference, Antitrust and Intellectual Property: Unresolved Issues at the Heart of the New Economy (Berkley Ctr. L. & Tech., Univ. of Cal. Berkeley, Cal., Mar. 2, 2001), *in* 16 BERKELEY TECH. L.J. 535, 545-46 (Spring 2001), *available at* http://www.ftc.gov/speeches/pitofsky/ipf301.htm [hereinafter "Pitofsky Speech"].

[105] *See* Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1072 (Fed. Cir. 1998).

[106] *See* Ronald S. Katz & Adam J. Safer, *In Ruling on Antitrust, Does Federal Circuit Overstep?*, 10/16/2000 NAT'L L.J. C20 (2000), http://www.mw-law.com/3.html (last visited Oct. 10, 2005).

[107] *See* James B. Kobak, Jr., *The Federal Circuit as a Competition Law Court*, 83 J. PAT. & TRADEMARK OFF. SOC'Y 527 (2001) (arguing that the Federal Circuit has taken a grudging view of antitrust principles and a broad view of patent rights) *at* http://www.aipla.org/Template.cfm?Section=Home&Template=/ContentManagement/ContentDisplay.cfm&ContentID=659; Mark R. Patterson, *When Is Property Intellectual? The Leveraging Problem*, 73 S. CAL. L. REV. 1133, 1136 (2000); *see also* Ronald Katz & Adam J. Safer, *Should One Patent Court Be Making Antitrust Law for the Whole Country?* 69 ANTITRUST L.J. 687, 700 (2002); James B. Gambrell, *The Evolving Interplay of Patent Rights and Antitrust Restraints in the Federal Circuit*, 9 TEX. INTELL. PROP. L.J. 137 (2001).

[108] See David R. Steinman & Danielle S. Fitzpatrick, *Antitrust Counterclaims in Patent Infringement Cases: A Guide to Walker Process and Sham-Litigation Claims*, 10 TEX. INTELL. PROP. L.J. 95 (2001) for a discussion and analysis on how the Federal Circuit correctly articulated the safety zone for the use of valid patents when it decided *Xerox*; *See also* Peter M. Boyle, Penelope M. Lister & J. Clayton Everett, Jr., *Antitrust*

prohibit a firm from unilaterally refusing to license their patent rights where such a refusal would allow the firm to obtain or maintain monopoly power by excluding competition in a way that does not benefit consumers.[109] It is conceded that substantial antitrust claims were intended to be decided by regional courts of appeals under their governing legal interpretations, however a patent holder's antitrust immunity is not stripped, according to the Federal Circuit, unless the conduct involves one of the three specific and limited patent-antitrust issues articulated in *Nobelpharma*, particularly when a party has asserted a Walker Process claim, a sham litigation claim, and/or an illegal tying arrangement.[110] These issues are limited to when patent law issues need to be balanced. Furthermore, when the Federal Circuit applies its own law with regard to this patent-antitrust intersection, it limits itself and applies the regional circuit's jurisprudence when analyzing the traditional elements of antitrust violations under the Sherman Act.[111]

Therefore, although there may be conflicting authority on the same issues, depending on where an appeal will be brought, district courts need not despair. The Federal Circuit was given the authority and responsibility of adjudicating patent issues. A district court must adhere to Federal Circuit precedent in interpreting and applying patent law. At the same time, a district court is also required to respect the authority of its regional circuit court when interpreting non-patent specific issues. Because patent law is within the exclusive jurisdiction of the Federal

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Law at the Federal Circuit: Red Light or Green Light at the IP-Antitrust Intersection?, 69 ANTITRUST L.J. 739 (2002); See also *Simpson v. United Oil Co. of Cal.*, 377 U.S. 13 (1964), where the Supreme Court addressed the tensions between the patent and antitrust laws and explained that, in the event of a conflict, the patent laws control.

[109] Eastman Kodak Co. v. Image Technical Servs., Inc., 504 U.S. 451, 480 n.29 (1992) ("Even assuming, despite the absence of any proof from the dissent, that all manufacturers possess some inherent market power in the parts market, it is not clear why that should immunize them from the antitrust laws in another market.").

[110] In *Nobelpharma,* the Federal Circuit enumerated the circumstances in which a patent holder may be held liable for an antitrust violation. First, the court stated that a patentee may be held liable "if the asserted patent was obtained through knowing and willful fraud within the meaning of *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*" *Nobelpharma*, 141 F.3d at 1068. Second, the patentee may be held liable if an infringement suit was instituted and "the infringement suit was a mere sham to cover what is actually no more than an attempt to interfere directly with the business relationships of a competitor." *Id.* Third, if the patent was used as a "tie" to extend market power beyond the patent grant (illegal tying), then the patent owner may be held liable. *Id. See also Xerox*, 203 F.3d 1322, 1327 (Fed. Cir. 2000).

[111] In further response to the proposition that the Federal Circuit will appropriate for itself elements of federal or state law, attorneys practicing in the Federal Circuit must proceed with caution as they must argue and brief many other issues as if they were appearing before the regional court of appeals for the circuit in which the case originated. Atari, Inc. v. JS & A Group, Inc., 747 F.2d 1422, 1440 (Fed. Cir. 1984).

Circuit, and the Supreme Court has not granted certiorari, *Nobelpharma* is the rule of law. The application of the Federal Circuit's *Nobelpharma* choice-of-law rule offers consistency and uniformity when addressing the issue of what conduct in procuring or enforcing a patent causes the patent owner to lose its immunity to antitrust laws. In reality, the district courts need not conduct a balance between patent and antitrust laws in order to determine which circuit courts' law to apply – *Nobelpharma* articulates only three specific patent infringement-antitrust issues in which antitrust immunity is stripped from the patentee.[112]

Congress sought to advance a clear, stable, and uniform basis for evaluating matters of patent validity and infringement so as to render a more predictable outcome of contemplated litigation, to facilitate more effective business planning, and to add confidence to investments in innovation and technology.[113] As illustrated by the above cases that offer a mix of antitrust and patent claims, the predictability of the outcome may be problematic. However a strong adherence to the Federal Circuit's jurisdictional mandate articulated in *Nobelpharma* should lead to a more consistent patent infringement-antitrust jurisprudence.

The Federal Circuit's broad approach articulated in *Xerox* has been criticized by the former Federal Trade Commission Chairman Robert Pitfosky, who stated that the Federal Circuit has unduly expanded the intellectual property grant.[114] However, many commentators agree with the Federal Circuit's approach and view the Ninth Circuit's *Kodak II* decision as relying too much on the principles of antitrust law as opposed to intellectual property law.[115] *Xerox* is correctly decided because the

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[112] *See supra* note 110.

[113] See Aerojet-Gen. Corp. v. Mach. Tool Works, Oerlikon-Buehrle Ltd., 895 F.2d 736, 744 n.7 (Fed. Cir. 1990) (citing H.R. REP. 97-312, at 20 (1981)), which provides:

> The establishment of a single court to hear patent appeals was repeatedly singled out by the witnesses who appeared before the Committee as one of the most far-reaching reforms that could be made to strengthen the United States patent system in such a way as to foster technological growth and industrial innovation. The new Court of Appeals of the Federal Circuit will provide nationwide uniformity in patent law, will make the rules applied in patent litigation more predictable and will eliminate the expensive, time-consuming and unseemly forum-shopping that characterizes litigation in the field.

See also *Aerojet-Gen. Corp.*, 895 F.2d at 744 n.7 (citing S. REP. NO. 97-275, at 3-6 (1981)), which noted that "[t]he committee is concerned that the exclusive jurisdiction over patent claims of the new Federal Circuit not be manipulated. This measure is intended to alleviate the serious problems of forum shopping among the regional's [sic] courts of appeals on patent claims by investing exclusive jurisdiction in one court of appeals."

[114] Pitofsky Speech, *supra* note 104, at 545-46.

[115] *See, e.g.*, Michael H. Kauffman, Image Technical Servs., Inc. v. Eastman Kodak Co.: *Taking One Step Forward and Two Steps Back in Reconciling Intellectual Property*

Federal Circuit rewards innovators by imposing antitrust liability only when the conduct in question is based on an invalid patent claim or improperly seeks to expand on otherwise valid patent rights. The court's limitations on imposing antitrust liability in the patent context are consistent with the long-standing relationship between antitrust and patent laws. The Ninth Circuit's decision indeed limits a patentee from exercising patent rights if exercising it leads to a monopoly in a market for a product not claimed in the patent. However, in analyzing whether Kodak's patent rights conferred upon it the right to exercise market power in the services market, the Ninth Circuit compared the literal scope of the patent claims with the scope of the relevant antitrust market to determine whether the economic market fell within the scope of the patent grant.[116] On the other hand, the Federal Circuit focused on whether the patentee's conduct fell within the scope of the patent grant, rather than the effects flowing from the conduct.[117] In other words, under *Xerox,* "a patent may properly confer market power in multiple economic markets" so long as the patentee does nothing more than exclude another from making, using or selling a patented invention.[118] The Federal Circuit's approach seems to reflect a more realistic view of the relationship between a patent and the markets in which it creates power. A patent defines the scope of an invention and should not stand for the definition of a particular relevant market, thus the antitrust laws should not align patent rights into a particular relevant market. The *Xerox* case correctly demonstrates how the antitrust laws respect the long-standing protections afforded to intellectual property by Article I, Section 8 of the Constitution and the patent laws. The difficulty which may arise from the Federal Circuit's *Nobelpharma* choice-of-law rule is *de minimis* in view of a more stable and uniform patent law and antitrust law interplay.

V. THE FEDERAL CIRCUIT'S TREATMENT OF ANTITRUST CLAIMS IN THE PATENT INFRINGEMENT CONTEXT

There has been concern regarding how well the Federal Circuit has handled situations in which antitrust principles and patent law have intersected.[119] Recently-decided cases have raised questions regarding a possible bias created when patent rights and antitrust restraints cross paths. Some of this concern arises because antitrust development is being

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Rights and Antitrust Liability, 34 WAKE FOREST L. REV. 471 (1999); *See generally* Steinman & Fitzpatrick, *supra* note 108.

[116] *See Kodak II*, 125 F.3d 1195, 1215-17 (9th Cir. 1997).

[117] *Xerox*, 203 F.3d 1322, 1327 (Fed. Cir. 2000).

[118] *See* Boyle et al., *supra* note 108, at 755 n.68 (citing *Xerox*, 203 F.3d at 1327).

[119] Gambrell, *supra* note 107, at 148.

addressed by the protectors of intellectual property rights, the Federal Circuit. However, the Federal Circuit does not overreach its authority when it decides antitrust issues as they relate to patent enforcement because it does so in a well-balanced manner consistent with Supreme Court precedent and the role envisioned by Congress.[120]

Most of the Federal Circuit's encounters with antitrust issues involve either a declaratory judgment of patent invalidity or counterclaims to patent infringement suits.[121] These issues usually involve an accused patent infringer alleging antitrust violations in a counterclaim or a plaintiff seeking declaratory judgment of patent invalidity based on fraud procured on the Patent Office.[122] A defendant may also raise a sham litigation claim alleging that a patentee is involving the courts to enforce its patent rights.[123] Federal Circuit Judge Lourie in *Nobelpharma* stated:

> A patentee who brings an infringement suit may be subject to antitrust liability for the anti-competitive effects of that suit if the alleged infringer (the antitrust plaintiff) proves (1) that the asserted patent was obtained through knowing and willful fraud within the meaning of *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, or (2) that the infringement suit was "a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor."[124]

Because *Nobelpharma* cited to Supreme Court holdings when it mandated that Federal Circuit law applies to antitrust issues related to patent enforcement, it is important to briefly discuss the cases which have been the basis for the development of antitrust jurisprudence in the Federal Circuit.

The Federal Circuit has remained faithful to the Supreme Court's holdings in *Walker Process Equipment, Inc. v. Food Machinery &*

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[120] Steinman & Fitzpatrick, *supra* note 108, at 109.

[121] *See, e.g.*, Aerojet-Gen. Corp. v. Mach. Tool Works, Oerlikon-Buehrle Ltd, 895 F.2d 736, 745 (Fed. Cir. 1990) (en banc) (holding that the Federal Circuit has jurisdiction when the only patent claim is a non-frivolous compulsory counterclaim); DSC Commc'ns Corp. v. Pulse Commc'ns, Inc., 170 F.3d 1354, 1358-59 (Fed. Cir. 1999) (holding that the Federal Circuit has jurisdiction when the only patent claim is a non-frivolous permissive counterclaim).

[122] *See, e.g.*, *Aerojet-Gen. Corp.*, 895 F.2d at 745; *DSC Commc'ns*, 170 F.3d at 1358-59.

[123] Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1068 (Fed. Cir. 1998).

[124] *Id.* (quoting E. R.R. Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127, 144 (1961)) (citation omitted).

Chemical Corp.[125] and *PRE*[126] when it examined antitrust issues in the patent enforcement context. The Supreme Court addressed antitrust law as it related to inequitable and fraudulent conduct before the Patent Office when it decided *Walker Process*.[127] In *PRE*, the Supreme Court discussed sham litigation. The Court concluded that the fraudulent procurement and enforcement of a patent may be subject to a Walker Process-type claim.[128] The bad faith enforcement of a patent known to be invalid or not infringed may be subject to a sham litigation claim.[129] Most antitrust claims in patent-related litigation are grounded upon these Walker Process and sham litigation claims.[130]

In *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*,[131] the Supreme Court decided that the enforcement of a patent which had been procured by fraud on the Patent Office may violate Section 2 of the Sherman Act, so long as the other elements necessary to prove a Section 2 violation were also present.[132] In *Walker Process*, the patent holder, Food Machinery & Chemical Corp. ("Food Machinery") brought an infringement action against Walker Process Equipment, Inc. ("Walker Process").[133] Walker Process counterclaimed alleging that Food Machinery had fraudulently procured and enforced a patent, and, accordingly, illegally monopolized interstate and foreign commerce in violation of Section 2 of the Sherman Act.[134] The Supreme Court decided in favor of Walker Process and for the first time held that enforcement of a fraudulently procured patent could give rise to antitrust liability.[135] The antitrust liability of *Walker Process* is summarized as follows: an entity that defrauds the Patent Office should not be afforded the Constitutional protections of Article I, Section 8, and the patent laws in general.[136] If those protections are lifted, the entity's conduct may then be scrutinized under the Sherman Act. *Walker Process* requires the antitrust plaintiff

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[125] 382 U.S. 172 (1965).

[126] 508 U.S. 49, 60-61 (1993).

[127] *See* Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172 (1965).

[128] *See id.*

[129] *See* Handgards, Inc. v. Ethicon, Inc., 743 F.2d 1282 (9th Cir. 1984).

[130] RICHARD G. SCHNEIDER, THE ANTITRUST COUNTERATTACK IN PATENT INFRINGEMENT LITIGATION 50 (Elizabeth Benton, et al. eds., American Bar Association 1994).

[131] 382 U.S. 172 (1965).

[132] Under such circumstances, an injured party would be able to collect treble damages under Section 4 of the Clayton Act. 15 U.S.C.A. § 15 (West Supp. 2005).

[133] *Walker Process*, 382 U.S. at 173.

[134] *Id*. at 174.

[135] *Id*. at 177.

[136] U.S. CONST. art. I, § 8, cl. 8.

(infringement defendant) to show fraud on the Patent Office as well as all the requirements for a Section 2 violation of the Sherman Act.[137]

Under the choice-of-law rule articulated in *Nobelpharma*, the Federal Circuit's law applies when deciding "[w]hether conduct in the prosecution of a patent is sufficient to strip a patentee of its immunity from the antitrust laws."[138] Consequently, Federal Circuit precedent governs the analysis of the fraud-on-the-Patent Office aspect of Walker Process antitrust claims.[139] In analyzing fraud on the Patent Office relating to omissions or misrepresentations, the fact omitted or misrepresented must be "'the efficient, inducing, and proximate cause, or the determining ground' of the action taken in reliance thereon."[140] The antitrust plaintiff (infringement defendant) must prove by clear and convincing evidence[141] that the patentee committed fraud on the Patent Office when the patentee knowingly and willfully made a fraudulent omission and/or misrepresentation with a clear intent to deceive the patent examiner (intent element) and that the misrepresentation and/or omission was the "efficient, inducing, and proximate cause, or the determining ground" of the issuance of the patent, in other words, "the patent would not have issued but for the misrepresentation or omission" (materiality element).[142]

The Supreme Court stated that:

> [A] patent by its very nature is affected with a public interest [and it] is an exception to the general rule against monopolies and to the right to access to a free and open market. 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

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[137] *Walker Process*, 382 U.S. at 177-78.

[138] Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1067 (Fed. Cir. 1998).

[139] *Id.* at 1068.

[140] *Id.* at 1070 (quoting 37 C.J.S. FRAUD § 18 (1943)).

[141] *See* Handgards, Inc. v. Ethicon, Inc., 743 F.2d 1282, 1288-89 (9th Cir. 1984).

[142] *Nobelpharma*, 141 F.3d at 1070-71. Once the antitrust plaintiff raises sufficient questions of fact with regard to the *Walker Process* fraud elements of intent and materiality, the traditional elements of Section 2 violations of the Sherman Act must also be met. Since the traditional elements of Section 2 violations of the Sherman Act do not involve the patent laws, the Federal Circuit still follows the laws developed in the regional circuits when determining whether or not the antitrust defendant should be held liable.

> other inequitable conduct and that such monopolies are kept within their legitimate scope."[143]

Patent owners must therefore be permitted to test the validity of their patents in court through actions against alleged infringers.[144] To avoid violations of the Sherman Act,[145] patent holders must use care not to exceed the limits of power contemplated by Congress when it enacted the Patent Act.[146] Patent owners must not use their patent rights as "a sword to eviscerate competition unfairly" otherwise they may become liable for antitrust violations when sufficient power in the relevant market is present.[147] Therefore, a patent holder who enforces a fraudulently procured patent, uses patents to demand unreasonable patent licensing agreements, or brings "bad faith or sham enforcements of patents, may incur antitrust liability under Sections 1 or 2 of the Sherman Act."[148] It is appropriate for the Federal Circuit to have exclusive jurisdiction over the antitrust claims presented by Walker Process claims because the facts and elements involved in these claims involve strict and exact questions of patent validity, a subject matter reserved solely for the Federal Circuit. The Federal Circuit has the optimum capability to balance the importance of patents with the importance of antitrust liability related to the fraud involved in the procurement of patents according to the Supreme Court's holding in *Walker Process*.

The use of the courts to enforce invalid patents is known as sham litigation. The Supreme Court, in *PRE*, adopted a two-part test to determine whether an intellectual property owner has engaged in sham litigation to enforce his or her rights.[149] A sham litigation claim requires an antitrust plaintiff to plead and prove that the infringement suit was objectively baseless at the time the lawsuit was filed.[150] Once this element is pled and proven, the second element requires proof that the suit was motivated by a subjective intent to abuse the litigation process to

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[143] *See* Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172, 177 (1965) (quoting Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 816 (1945)).

[144] *Handgards*, 743 F.2d 1282.

[145] Section 2 of the Sherman Act provides: "Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a felony . . . ." 15 U.S.C.A. § 2 (West Supp. 2005).

[146] *See* Atari Games Corp. v. Nintendo of Am., Inc., 897 F.2d 1572, 1576 (Fed. Cir. 1990).

[147] *See id.*

[148] SCHNEIDER, *supra* note 130, at 47.

[149] *PRE*, 508 U.S. 49, 60-61 (1993).

[150] Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1071 (Fed. Cir. 1998); *PRE*, 508 U.S. at 60-61.

interfere with the business of a competitor, rather than to obtain judicial relief.[151] Once the elements of a sham litigation claim are proven, the antitrust plaintiff must still prove the traditional section 2 violations of the Sherman Act. Patent holders who initiate and conduct infringement actions in bad faith contribute nothing to the furtherance of the policies of either the patent law or the antitrust law.[152] The Federal Circuit conducts a well-balanced analysis when it addresses the antitrust issues relating to enforcement of an invalid patent because it is examining issues of fact and law regarding the validity of patents. Under *PRE*, the test for sham litigation involves the determination of whether an intellectual property owner had probable cause to enforce his or her patent through the courts or tribunals.[153] The Federal Circuit is the best circuit court to determine whether the alleged sham litigant owns a valid patent, i.e. the Federal Circuit is in the best position to determine patent validity. Furthermore, the traditional violations of the Sherman Act are analyzed under regional circuit law, not Federal Circuit law. It is certainly within the province of the Federal Circuit to apply its own analysis and precedent when it addresses the antitrust issues solely relating to patent invalidity.

When the Federal Circuit hears antitrust issues relating to patent enforcement, it appropriately follows the precedent established in *Walker Process* and *PRE* to conduct a proper analysis. Assuming an antitrust plaintiff can present material issues of fact to show fraud on the PTO (Walker Process claim), or that the defendant filed an objectively baseless suit coupled with improper subjective motivation for bringing the claim (sham litigation claim), an antitrust plaintiff must plead and prove the traditional elements of an antitrust violation. Section 2 of the Sherman Act makes it unlawful to "monopolize, or attempt to monopolize . . . any part of the trade or commerce among the several States."[154] An antitrust plaintiff thus must prove the following elements: (1) a relevant market, (2) that the defendant (infringement plaintiff) "has

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[151] *PRE*, 508 U.S. at 60-61 (quoting E. R.R. Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127, 144 (1961)).

[152] *See* Handgards, Inc. v. Ethicon, Inc., 743 F.2d 1282 (9th Cir. 1984). *Handgards* was the first case to address sham litigation in the patent context. Handgards, Inc. ("Handgards") filed an antitrust claim against Ethicon, Inc. ("Ethicon") for initiating and pursuing a series of bad faith patent infringement suits in an attempt to monopolize the heat-sealed plastic gloves market sold in home hair coloring kits. *Id.* The Ninth Circuit affirmed the district court's holding that "such actions may constitute an attempt to monopolize violative of Section 2 of the antitrust law." *Id.* The use of the courts to eliminate competition in a relevant market became known as a *Handgards* or sham litigation claim.

[153] *PRE*, 508 U.S. at 62.

[154] 15 U.S.C.A. § 2 (West Supp. 2005).

engaged in predatory or [otherwise] anticompetitive conduct," (3) that the defendant (infringement plaintiff) specifically intended to acquire monopoly power within the relevant market, and (4) that defendant (infringement plaintiff) has reached a dangerous probability that the attempt would be successful in achieving a monopoly in the relevant market.[155]

Proponents of the Ninth Circuit's *Kodak II* decision might critique the Federal Circuit's *Xerox* analysis as being too protective of patent holders which may thus deter innovation by subsequent innovators. However, the Federal Circuit has not always protected patentees and has upheld district court decisions to strip patent holders of their rights, exposing them to antitrust violations. In *Unitherm Food Systems, Inc. v. Swift Eckrich, Inc*. ("*Unitherm*")[156], the Federal Circuit did not find in favor of the patentee when it determined whether the patentee was immune from charges of an antitrust violation, contrary to the view that the court is too pro-patent to be objectively neutral in deciding where patent rights end and antitrust law begins. The court recognized that the immunity from antitrust liability enjoyed by a patentee may be lost if fraud in obtaining or enforcing the patent is shown under *Walker Process*. In *Unitherm*, the plaintiff, Unitherm Food Systems, Inc. ("Unitherm") sought declaration that the defendant, Swift Eckrich, Inc.'s ("Swift") patent was invalid and further asserted monopolization and tortious interference claims.[157] The court affirmed the district court's summary judgment that Swift's patent was invalid and unenforceable for prior use and prior sale under § 102(b).[158] The Federal Circuit found sufficient evidence to support the jury's finding that the patentee knew of the prior use and thus obtained the patent through fraud on the Patent and Trademark Office. The court upheld the jury verdict stripping Swift of the antitrust immunity afforded patent holders. The Federal Circuit applied the Tenth Circuit's Sherman Act analysis, however it held that the district court erred in allowing the jury to decide the plaintiff's antitrust claims because the plaintiff failed to provide adequate economic evidence of the relevant market.[159]

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[155] Spectrum Sports, Inc. v. McQuillan, 506 U.S. 447, 456 (1993); Loctite Corp. v. Ultraseal Ltd., 781 F.2d 861, 875 (Fed. Cir. 1985); United States v. Am. Airlines, Inc., 743 F.2d 1114, 1118-19 (5th Cir. 1984).

[156] 375 F.3d 1341 (Fed. Cir. 2004).

[157] *Id.* at 1344.

[158] "A person shall be entitled to a patent unless . . . the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States . . . ." 35 U.S.C.A. § 102(b) (West Supp. 2005).

[159] *Unitherm*, 375 F.3d at 1344.

Unitherm based its antitrust allegations on a Walker Process claim. As explained by the Supreme Court in *Walker Process*, the enforcement of a patent procured by fraud on the Patent and Trademark Office "may be violative of § 2 of the Sherman Act provided the other elements necessary to a § 2 case are present."[160] In such event the treble damage provisions of § 4 of the Clayton Act would be available to an injured party.[161] Once the court determined the patent was procured by fraud, it proceeded with the analysis mandated by the Supreme Court in *Walker Process*. The court considered the exclusionary power of an illegal patent claim with respect to the relevant market for the product involved.[162] The Federal Circuit stated that a *Walker Process* antitrust analysis can be framed by whether: (1) the patentee attempted to enforce the patent at issue; (2) the patent fraudulently issued; (3) the *Walker Process* claimant had antitrust standing (i.e., suffered antitrust damages); (4) the "attempted enforcement threatened to lessen competition in a relevant antitrust market;" and (5) "all other elements of attempted monopolization are met."[163] The court cited *Nobelpharma* and stated that the question of whether the *Walker Process* elements have been shown for purposes of stripping a patentee of its antitrust immunity must be decided under Federal Circuit law.[164] The court added that the law of the regional circuit is applied to the elements of antitrust claims that are not unique to patent law, such as antitrust standing, market definition, antitrust injury and damages.[165] The court stated that the Federal Circuit is "in the best position to impose uniformity on the patent laws" and decided the issues raised in the antitrust claim that were unique to the patent law under Federal Circuit law.[166] Therefore, in determining whether the patentee attempted to enforce the patent at issue and whether the patent fraudulently issued, Federal Circuit law is applied and the law of the regional circuit, the Tenth Circuit in this case, is to be applied when determining whether the claimant had antitrust standing, the attempted enforcement threatened to lessen competition in the relevant

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[160] *Id.* at 1347 (citing Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172, 174 (1965)).

[161] 15 U.S.C.A. § 15 (West Supp. 2005).

[162] *Unitherm*, 375 F.3d at 1355.

[163] *Id.* at 1355.

[164] *Id.* at 1356 (citing Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1067-68 (Fed. Cir. 1998)).

[165] *Id.* at 1356.

[166] *Unitherm*, 375 F.3d at 1356.

antitrust market, and whether the remaining elements of attempted monopolization are met.[167]

Unitherm is yet another case that demonstrates how the Federal Circuit does not take a grudging view of antitrust principles and does not have a broad view of patentees' rights to enforce and refuse to license their patents. The decision displays the Federal Circuit's ability to strike the correct balance of the relationship of antitrust to intellectual property law. The court did not protect the patent holder from antitrust liability and found that the patent holder was enforcing an invalid patent. The Federal Circuit sustained the antitrust verdict by applying its *Nobelpharma* rule when it analyzed the elements of a Walker Process claim and applied the Tenth Circuit's antitrust law to analyze the elements of a Section 2 violation. Thus, the court did not apply its own antitrust law, but instead applied the law of the regional circuit to find

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[167] *Id.* The court held that even though the Walker Process claim was raised by Unitherm as ancillary to the plaintiff's declaratory judgment action, rather than as a counterclaim to an allegation of patent infringement, the defendant had attempted to enforce its patent. *Id.* at 1357 (citing Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172, 176-77 (1965)). In analyzing fraudulent issuance, the Federal Circuit held clear and convincing evidence supported the jury's finding of material misrepresentation and intent to deceive. *Unitherm*, 375 F.3d at 1360. The court utilized concepts of common law fraud and first considered that the patent applicant attested to his inventorship when he signed the required inventor's declaration and then assigned the resulting patent to the defendant (invoking agency principles of liability). *Id.* Next, the court considered that both the patent's named inventor and assignee knew of the prior use and public sale of the invention four years before the critical date. *Id.* at 1359. The Federal Circuit found antitrust standing, in part, because of Swift's illegal enforcement of its patent and its fraudulent conduct in procuring the patent. *Id.* at 1362. The court utilized the Tenth Circuit's rule in determining whether Unitherm possessed antitrust standing. The Tenth Circuit defines antitrust injury as "an injury of the type the antitrust laws were intended to prevent and that flows from that which makes defendants' acts unlawful. . . . Factors to consider in evaluating antitrust standing include: (1) the causal connection between the alleged antitrust violation and the harm; (2) improper motive or intent of defendants; (3) whether the claimed injury is one sought to be redressed by antitrust damages; (4) the directness between the injury and the market restraint resulting from the alleged violation; (5) the speculative nature of the damages claimed; and (6) the risk of duplicative recoveries or complex damage apportionment." *Id*. at 1362 (citing Sports Racing Servs. v. Sports Car Club of Am., 131 F.3d 874, 882 (10th Cir.1997)) (internal citations and quotations omitted). *See also* Ashley Creek Phosphate Co. v. Chevron USA, Inc., 315 F.3d 1245, 1252 (10th Cir. 2003); Indium Corp. of Am. v. Semi-Alloys, Inc., 781 F.2d 879, 882 (Fed. Cir. 1985)). The court then questioned whether Unitherm presented evidence that could support its definition of the relevant market. *Unitherm*, 375 F.3d at 1363-64. The Federal Circuit held that under Tenth Circuit law, the relevant product market hinges on economic evidence of reasonable interchangeability. *Id.* Unitherm only offered evidence of technical interchangeability, and not evidence of economic interchangeability, thus the Court ruled that the antitrust claims should never have made it to the jury and vacated the jury's findings regarding the relevant market. The court also applied Tenth Circuit law to determine whether or not the defendant had preserved its right to appeal. *Id.* at 1365.

that the patentee was liable under the Sherman Act. This case further proves that the Federal Circuit is not biased toward patent owners and instead has been able to reconcile the tensions between antitrust and intellectual property laws.

VI. CONCLUSION

There is an inherent tension existing between the assertion of patent rights and the restraints that antitrust imposes on any bundle of patent rights. It is unknown whether the debate between the two paradigms will settle, however allocating antitrust issues as they relate to patent issues to the Federal Circuit represents a warm turn toward a well-balanced compromise. Indeed, former chairman Pitfosky made a positive point in his speech to the American Antitrust Institute when he addressed the dividing line between patent rights and antitrust restraints. He stated that over the last century, antitrust and intellectual property are:

> [C]omplementary 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.[168]

The recent Federal Circuit decisions certainly attempt to develop uniform principles to govern the relationship between patent rights and antitrust restraints instead of looking to antitrust precedents in the appropriate regional circuits. The Federal Circuit has done this in a way that properly balances the necessary encouragement of innovation with the need to prevent the impairment of competition and provides clarity to the principles of antitrust laws involving patent enforcement issues. As one commentator noted, "rather than siblings sharing a room, the two bodies of law are more like parents running a household. As with parents looking out for the best interest of the children, the guiding principle is the best interest of consumers."[169] Intellectual property owners should be rightfully entitled to claim the full scope of their property grant, and any activity within the scope of that grant should be permissible. The Federal Circuit recognizes the common goals of antitrust law and

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[168] Pitofsky Remarks, *supra* note 2.

[169] Tom Willard, Speech at American Conference Institute, Licensing and Antitrust: Common Goals and Uncommon Problems (Oct. 12, 1998), http://www.ftc.gov /speeches/other/aciippub.htm; *See also* Atari Games Corp. v. Nintendo of Am., Inc., 897 F.2d 1572, 1567 (Fed. Cir. 1990).

intellectual property law and is thus able to appropriately balance between the two regimes when it is faced with antitrust counterattacks in the patent infringement context.