

Princo v. International Trade Commission: Antitrust Law and the Patent Misuse Doctrine Part Company

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IN THE LATTER HALF OF 2010, THE U.S. Court of Appeals for the Federal Circuit issued a rare en banc decision with significant implications for the doctrine of patent misuse and for antitrust law. Although *Princo v. ITC*,¹ which arose from the appeal of a patent infringement investigation before the International Trade Commission, has been a subject of significant attention among intellectual property practitioners, it has attracted less attention in the antitrust bar. But the decision has similarly significant implications for practitioners in both fields. By signaling a divergence between antitrust law and the patent misuse doctrine, the decision marks a distinct shift in the Federal Circuit's approach to patent misuse in recent years.

The en banc decision in *Princo* is the third in a series of decisions arising from a single ITC patent infringement investigation. All three decisions continued the Federal Circuit's trend over the past twenty-five years of narrowing the patent misuse doctrine. But whereas for twenty years the Federal Circuit relied on antitrust principles to limit the scope of patent misuse, thus bringing patent misuse into close alignment with antitrust law, *Princo* marks a break in that pattern. In *Princo*, the Federal Circuit restricted patent misuse to situations in which a patent holder has used the specific patent alleged to be infringed to leverage its power beyond the scope of that patent. The court held that exclusionary use of a separate patent as part of an agreement involving the patent-in-suit might violate the antitrust laws, but it does not constitute patent misuse.

By distinguishing patent misuse from antitrust law in this fashion, the decision opens the possibility that a patent hold-

er's conduct may violate the antitrust laws but not constitute patent misuse. When considered together with earlier decisions holding that certain conduct may satisfy the requirements for patent misuse but not those for an antitrust violation, the decision requires that certain patent-related conduct be considered separately under the patent and antitrust laws because the results may differ. The decision also raises the possibility that an alleged infringer might not be able to raise certain patent-related exclusionary conduct under the patent laws, which would force greater reliance on antitrust counterclaims or separate antitrust lawsuits as appropriate.

To appreciate the potential future implications of the *Princo* decision, it helps to place it in its historical context.

Development of the Doctrine of Patent Misuse

The doctrine of patent misuse is an equitable doctrine largely developed by the courts in the first half of the 20th century to limit the scope of the rights a patent-holder is entitled to assert. The doctrine is based in principles of patent law and is intended to prevent a patent-holder from extending the power of a patent beyond the scope of the patent itself. Patent misuse is an extension of the equitable doctrine of unclean hands,² which, in the words of the Federal Circuit, is intended to "restrain practices that [do] not in themselves violate any law, but that [draw] anticompetitive strength from the patent right, and thus [are] deemed to be contrary to public policy."³ Patent misuse incorporates in particular the principle that once a patented product is lawfully sold without restriction, the product can be used and resold without restriction by the patent-holder.

Patent misuse developed in response to restrictive licensing provisions that were used with increasing frequency by patent-holders in the late 19th and early 20th centuries. Patent-holders often used licensing restrictions to limit the manner in which patented products were used or resold. A common practice was to attach a statement to the surface of the product itself requiring a patented product to be used only with specified inputs or raw materials or only for certain purposes, or limiting resale rights.

After many years of upholding and enforcing such licensing restrictions, the Supreme Court, in the early 20th century, announced a change of direction. In *Motion Picture Patents Co. v. Universal Film Manufacturing Corp.*,⁴ the Court considered a suit for patent infringement brought by the owner of a patent on a motion picture projector, to which the patent owner had attached a label prohibiting any subsequent purchaser of the projector from showing any films other than those made with the permission of the patent owner. The Court held that the restriction in question would "extend the scope of [the owner's] patent monopoly" beyond that contemplated by the patent laws.⁵ The Court affirmed the lower court's decision refusing to enforce the notice restriction and thus finding no infringement.

This decision marked the beginning of an extended period of development and fairly aggressive application of the

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patent misuse doctrine. During this period, courts emphasized that a patent is a publicly granted right and it therefore embodies a public interest in seeing that the patent is used in a legitimate manner within the scope of its grant. As the Supreme Court explained:

A patent by its very nature is affected with a public interest. . . . [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 other inequitable conduct and that such monopolies are kept within their legitimate scope.⁶

The doctrine of patent misuse developed in particular in response to “attempts to broaden the physical or temporal scope of the patent monopoly.”⁷ As the Court stated, “[The patent] is a privilege which is conditioned by a public purpose. It results from invention and is limited to the invention which it defines.”⁸

Courts applied the patent misuse doctrine in response to practices that they perceived to be inequitable or unfair attempts to extend the scope of patents. A number of these practices were similar to practices that, depending on the circumstances, might violate the antitrust laws. Thus, for example, courts held that it constituted misuse for a patent holder to condition, or tie, a patent license to the potential licensee’s agreement also to purchase unpatented products from the patent-holder.⁹ However, other practices were distinct from practices that had been condemned under the antitrust laws. In those cases, the concept of misuse arose directly from the conclusion that the practice in question was inconsistent with the purposes of the patent laws. The treatment of double royalties as patent misuse, for example, is based in the concept that collection of royalties from both a licensee and a purchaser of the licensee’s product under the same patent violates the principle of patent exhaustion under the patent laws, and does not find any counterpart in antitrust law.¹⁰

Use of Antitrust Principles to Restrict the Scope of Patent Misuse

Beginning in the latter half of the 20th century, courts began to cabin in the patent misuse doctrine by considering more carefully the actual effects of the particular practice in question. Such efforts took a new direction in 1986 with the Federal Circuit’s decision in *Windsurfing International v. AMF*.¹¹ For the first time, the Federal Circuit explicitly introduced concepts of antitrust law into the analysis of patent misuse, thus bringing the patent misuse doctrine in close alignment with antitrust law.

Windsurfing International (WSI) sued AMF and others, alleging infringement of its patent on the hinging mechanism used on a windsurfing board. AMF defended in part on grounds of alleged patent misuse, based on the inclusion in WSI’s patent license agreements of a provision requiring the

licensee to recognize the validity of, and refrain from using, WSI’s registered trademarks.

The Federal Circuit quoted the Supreme Court’s decision in *Blonder-Tongue* for the proposition that patent misuse requires the alleged infringer to show that “the patentee has impermissibly broadened the ‘physical or temporal scope’ of the patent grant.”¹² The Federal Circuit, however, then added words not found in the Supreme Court decision: “with anti-competitive effect.”¹³ Without citing any authority, the court further added its own gloss to this language, stating that, to establish patent misuse based on conduct that is not per se unlawful, the conduct must “tend[] to restrain competition unlawfully in an appropriately defined relevant market.”¹⁴ The court held that, because a provision in a patent license agreement requiring the licensee to acknowledge the validity and avoid the infringement of registered trademarks “cannot possibly restrain competition unlawfully in an appropriately defined relevant market,” the alleged infringer had failed to establish patent misuse.¹⁵

Two years later, the Federal Circuit’s pronouncement in *Windsurfing International* received indirect support in an amendment to the Patent Act. In 1988, Congress adopted an addition to § 271(d) providing that, *inter alia*, “unless . . . the patent owner has market power in the relevant market for the patent or patented product” at issue, it does not constitute patent misuse for the patent owner to condition the license of patent rights or the sale of a patented product on an agreement to license a separate patent or purchase a separate product.¹⁶ Over the course of the next fifteen years, the Federal Circuit repeated the antitrust-based standard of *Windsurfing International* in other decisions, the majority of which rejected the patent misuse defense.¹⁷ Antitrust principles came to be embedded in the patent misuse doctrine to the point that courts applied them even to alleged patent misuse involving conduct that had no counterpart under the antitrust laws.

A pair of cases illustrates the extent to which principles of antitrust law influenced the analysis of patent-law-based patent misuse allegations. Both involved the issue of double royalties, a concept unique to intellectual property law. In *PSC v. Symbol Technologies*,¹⁸ PSC manufactured hand-held scanners used to read bar codes and transmit the information to a central computer. In order to manufacture hand-held laser scanners, PSC licensed from Symbol two patents containing claims applicable to scan engines. Telxon, Incorporated (Telxon) manufactured portable integrated scanning terminals, each of which incorporated both a hand-held scanner sold by PSC and a small computer capable of processing the scanned information. Telxon licensed five patents from Symbol, including the two licensed by PSC. PSC claimed that because Symbol collected a royalty from Telxon under the two patents in question, Symbol’s attempt to collect a royalty also from PSC under the same patents on the same product constituted patent misuse and rendered the two patents unenforceable.¹⁹

The court held that Symbol's collection of royalties from both a supplier and its customer under the same patents for the same product improperly broadens the scope of the rights under those patents. "Because PSC paid a royalty for the license of the patent rights under the [two] patents, Symbol's rights under those patents were extinguished, and Symbol forfeited its right to collect any additional royalties on any product that practiced any claim under the [two] patents and used a PSC scan engine."²⁰

The court further held that the collection of double royalties on the same product "has a strong anticompetitive effect on the market for scan engines."²¹ Although the court's explanation is somewhat cryptic, the court apparently based its analysis on the facts that Symbol was vertically integrated and, in addition to licensing its technology, also sold scan engines in competition with PSC. Symbol offered Telxon a credit against its royalty obligations if it purchased scan engines from Symbol, but required it to pay the second royalty in full if it purchased scan engines from PSC. The court held that this provision harmed competition in the market for scan engines by restricting the ability of PSC to compete in that market.²²

*Minebea Co. v. Papst*²³ presented a similar fact pattern in which the court reached the opposite result. Minebea supplied hard disk drive spindle motors to hard disk drive manufacturers, which in turn sold disk drives to computer manufacturers. Papst held a number of patents on hard disk drives in addition to hard disk drive motors. Minebea sued Papst seeking, among other relief, a declaratory judgment that Papst engaged in patent misuse by collecting royalties under its patents on hard disk drive motors from both Minebea and Minebea's customers that integrated Minebea's spindle motors into hard disk drives.

The court evaluated Papst's licensing practices under a "rule of reason" analysis pursuant to which "the party asserting patent misuse must prove that the patent holder's behavior had anticompetitive effects."²⁴ The court found that, on the specific factual record before it, Minebea and its customers did not pay for the same patent rights on the same products. Rather, Minebea paid Papst one royalty to directly infringe Papst's motor patents and to indirectly infringe Papst's drive patents by virtue of its motor sales; Minebea's customers paid Papst a second royalty for the right to directly infringe the drive patents.

The court held in the alternative that Minebea failed to prove that Papst's conduct had an anticompetitive effect. The court explained that patent misuse cases "employ a more flexible analysis" of anticompetitive effect than do antitrust cases, and do not necessarily require strict proof of a relevant market.²⁵ But the court also acknowledged that "there is clearly a close relationship between the patent misuse doctrine and the antitrust laws" and "the issue of market power in the relevant market is certainly among the variety of pertinent factors for the Court to consider . . . in determining whether Papst's conduct was anticompetitive in a patent misuse

case."²⁶ The court found that Minebea "did not prove that Papst has market power in any relevant market, much less that it has engaged in 'prohibited conduct' 'directed toward competitors' that was 'intended to injure competition.'"²⁷ The court implicitly distinguished *PSC v. Symbol Technologies* on the ground that Papst was not vertically integrated and thus did not compete against Minebea in a downstream market. The court also held that Minebea failed to establish a factual basis to support the testimony of its economic expert that Papst held market power in a technology market.²⁸ The court confirmed that Minebea failed to prove that Papst's licensing activities "increased the costs associated with the manufacture and sale of hard disk drives or that competition has been suppressed."²⁹

The Relationship of Patent Misuse and Antitrust Law

Despite the incorporation of antitrust principles into patent misuse, courts have not treated patent misuse as identical to antitrust law. In *Zenith Radio v. Hazeltine*,³⁰ the Supreme Court held that conditioning a patent license on payment of royalties on products that do not use the patent could amount to patent misuse.³¹ It went on to hold, however, that even if the lower court determined that there was a factual basis to support a finding of 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."³²

Subsequent court decisions treated antitrust claims based on allegations of patent-related conduct almost as a subset of patent misuse. In *Virginia Panel Corp. v. MAC Panel Co.*,³³ for example, the Federal Circuit had the opportunity to consider explicitly the relationship between patent misuse and antitrust law. Virginia Panel sued MAC Panel for patent infringement. The lower court found that Virginia Panel engaged in patent misuse and violated the antitrust laws by refusing to extend warranty protection to its parts that were used in conjunction with third-party parts and proposing to enter into an agreement to tie a patent license and unpatented parts. The Federal Circuit reversed on both counts. Applying a rule of reason analysis pursuant to *Windsurfing International*, the Federal Circuit determined that none of the accused practices constituted patent misuse. Continuing to the antitrust allegations, the court stated that establishing an antitrust violation "requires more exacting proof than suffices to demonstrate patent misuse."³⁴ The court noted, for example, that the definition of a relevant market under the antitrust laws could be a more exacting standard than the corresponding requirement under patent misuse. The court held that "conduct that is insufficient to support a misuse defense cannot support an otherwise flawed antitrust judgment."³⁵ This approach appeared to receive the blessing of the Supreme Court in *Illinois Tool Works*, where the Court stated, "It would be absurd to assume that Congress intended to provide that the use of a patent that merited punishment as a felony [under the antitrust laws] would not constitute [patent] 'misuse.'"³⁶

Courts' treatment of patent-related antitrust claims as almost a subset of patent misuse facilitated analysis. Practitioners were able to evaluate conduct under both patent misuse and antitrust law, confident that the analysis and result were likely to be consistent. Indeed, so similar were the methods of analysis that, in the absence of antitrust precedent, practitioners often relied upon patent misuse decisions as indicative of likely results under the antitrust laws.³⁷

Background and *Philips v. International Trade Commission*

After twenty years of convergence of the patent misuse doctrine and antitrust law, five years ago the Federal Circuit began subtly to distinguish patent misuse from antitrust law, all the while further narrowing the doctrine of patent misuse. Ironically, this shift occurred in a series of three appellate decisions—*Philips v. ITC*, the *Princo* panel decision, and the *Princo* en banc decision—arising from a single Section 337 investigation before the ITC, but the Federal Circuit expressed this development most clearly in its en banc decision in *Princo*.

The *Princo* decision arose out of a challenge filed by Philips before the ITC alleging that Princo had infringed a Philips patent on a technology used to locate a laser's position on a recordable compact disk. Years before the suit was filed, Philips and Sony had cooperated to develop standards for recordable compact discs (CD-Rs) and rewritable compact discs (CD-RWs). The standards were released to the industry in what was referred to as the Orange Book. Philips, Sony, and two other companies—Taiyo Yuden and Ricoh—held patents that allegedly related to the Orange Book standard. The four companies agreed to form a patent pool to combine and license their Orange Book-related CD-R and CD-RW patents. Philips, the pool administrator, offered licenses to four different packages of patents relating to CD-Rs and CD-RWs.

Princo and two other companies, all pool licensees, stopped paying royalties, and Philips filed suit at the ITC. Princo defended in part by asserting that the pool members had committed patent misuse by tying essential and non-essential patents in a single license and combining competing patents in the pool. Specifically, Princo argued that Philips refused to license its patents on an individual basis but rather required licensees to accept and pay royalties under one of its four packages, regardless of how many or how few patents in the package the licensee actually used. Princo also claimed that Philips and Sony had developed competing technologies for determining the position of the recorder's laser on a CD. Philips had developed an analog solution, whereas Sony had developed a digital solution. The Orange Book standard incorporated Philips' analog technology. Princo asserted that, by including Sony's digital positioning patent in the pool and by restricting Sony from licensing its patent outside the pool, the pool prevented Sony from working with other companies to develop products that competed with Orange Book-compliant CD-Rs and CD-RWs.

The ITC held Philips' patents unenforceable on the first of these two grounds, i.e., that Philips' package licensing constituted per se patent misuse. Philips appealed, and the Federal Circuit reversed.³⁸ The court held that the package licensing at issue must be analyzed under the rule of reason. The court distinguished per se unlawful tying of products from package licensing of patents. Because the package license in question did not require licensees actually to use all of the patents in the package, licensees were free to use other competing technologies. In addition, the court noted that the principal purpose of the package license was to assure licensees they would not be sued for infringement. For this reason, the package license did not represent an effort to exploit power in one market to gain an advantage in another market.³⁹ The allegations at issue involved patent misuse, but in its discussion the court cited to both antitrust and patent misuse precedent, leaving uncertain whether its holding is limited to patent misuse claims or also applies to antitrust claims.

The *Princo* Panel Decision

On remand after *Philips*, the ITC rejected Princo's remaining patent misuse arguments. Applying a rule of reason analysis, the ITC found that Philips did not include non-essential patents in the pool; it therefore rejected the argument that Philips conditioned a license to essential patents on agreeing to license non-essential patents. The ITC also determined that Philips's alleged agreement with Sony not to license Sony's patent for competing uses outside the pool did not constitute patent misuse.

This time Princo appealed. In the initial *Princo* decision, a divided panel of the Federal Circuit upheld the first part of the ITC decision and overturned the second.⁴⁰ The panel held unanimously that inclusion of the Sony patent in the pool did not constitute patent misuse. It recognized that it can be difficult to determine whether patents are blocking or competing. Thus, to determine whether Philips and others had included a non-essential patent in the pool, the panel applied a flexible standard of essentiality. The court held that a patent could qualify as essential to the manufacture of Orange-Book-compliant CD-Rs and CD-RWs if, "at the time of the license an objective manufacturer would believe" that a license to the patent "reasonably might be necessary" to practice the Orange Book technology.⁴¹ According to the court, even if a patent only arguably blocks practice of a standard, there are strong reasons to resolve potential patent issues by including it in the pool. The fact that the patent ultimately might be proved non-essential would not affect this determination.

In the subsequent portion of its decision, however, a two-member majority of the Federal Circuit panel held that, depending on the specific facts, the restraint on Sony's ability to license its patent outside the pool might constitute patent misuse. The court stated that the inclusion of a patent in a patent pool, which exists to facilitate licensing patents

needed for a particular standard, “cannot justify the refusal to allow [that patent] to be licensed” for other uses that compete with that standard.⁴² As the court stated, “It is one thing to offer a pooled license to competing technologies; it is quite another to refuse to license the competing technologies on any other basis.”⁴³ The court remanded to the ITC to determine whether the Philips and Sony technologies in fact competed and whether Philips and Sony had reached an agreement not to license the Sony patent for other uses.

The *Princo* en banc Decision

In a rare en banc decision, the full Federal Circuit vacated and reversed the latter portion of the panel decision.⁴⁴ The six-member majority opinion limited patent misuse to conduct involving “patent leverage,” in which the patent holder uses “the patent power” to impose “overbroad conditions on the use of the patent in suit that are ‘not within the reach of the monopoly granted by the Government.’”⁴⁵ The en banc majority found that an agreement between Philips and Sony restricting Sony from licensing its potentially competing patent outside the pool did not place any conditions on the availability of Philips’s patents and so did not misuse the power of the Philips patents at issue in the lawsuit.

Critically, for purposes of this analysis, the en banc majority distinguished patent misuse from an antitrust violation. The court stated:

While proof of an antitrust violation shows that the [patent holder] has committed wrongful conduct having anticompetitive effects, that does not establish misuse of the patent in suit unless the conduct in question restricts the use of that patent and does so in one of the specific ways that have been held to be outside the otherwise broad scope of the patent grant.⁴⁶

The court drove the point home: “If the purported agreement between Philips and Sony not to license [Sony’s] technology is unlawful, that can only be under antitrust law, not patent misuse law; [because] nothing about that agreement, if it exists, constitutes an exploitation of the [Philips] patents against Philips’s licensees.”⁴⁷ As an alternative holding, the en banc majority further found that *Princo* had failed to prove that Sony’s technology was a viable technology that potentially competed with that of Philips.

The novelty of the Federal Circuit’s majority decision was reflected in part in the other opinions. Two judges concurred in the result on separate grounds and two judges filed a vigorous dissent. Indeed, the dissent asserted that the majority decision was contrary to the Supreme Court’s opinion in *Illinois Tool Works* and Federal Circuit precedent, which “suggest the [patent] misuse doctrine should be broader than the antitrust prohibitions.”⁴⁸

The Implications of *Princo*

All three Federal Circuit decisions arising out of Philips’s patent infringement suit against *Princo* have important implications for both patent misuse and antitrust law, but the

Princo en banc decision is potentially the most significant. All three decisions continue the Federal Circuit’s trend of narrowing the doctrine of patent misuse. *Philips* distinguishes package licensing of patents from tying of products, thereby giving patent holders greater flexibility with respect to licensing practices. The *Princo* panel decision confirms that inclusion of a potentially essential patent in a patent pool will not constitute patent misuse even if the patent turns out to be non-essential. The *Princo* en banc court holds that anticompetitive conduct with respect to patents other than those asserted in patent infringement litigation does not constitute patent misuse, even if it might violate the antitrust laws.

By divorcing patent misuse from antitrust law, the *Princo* decision significantly alters the relationship between them. Prior Supreme Court and Federal Circuit decisions established that patent-related conduct may constitute patent misuse without giving rise to antitrust liability. *Princo* establishes the converse as well: patent-related conduct may create antitrust liability without amounting to patent misuse.

It is difficult to predict precisely how *Princo* might be applied in the future. While certain applications of the decision appear to be fairly straightforward, some issues are likely to be more complicated. Uncertainties could arise in particular from the complexity of determining whether the patent-in-suit is the subject of misuse. As a result, the *Princo* decision adds to the challenge of evaluating whether and how certain antitrust principles may apply to patent-related conduct.

Some principles remain reasonably clear. Conduct involving the patent-in-suit will continue to raise the possibility of both antitrust liability and patent misuse if courts have considered such conduct to be per se unlawful or if the conduct is exclusionary, has been recognized as patent misuse, and extends the power of the patent with anticompetitive effect. Tying a license to the patent-in-suit to unpatented products, for example, is likely to constitute an antitrust violation if the market power screen set forth in *Jefferson Parish*⁴⁹ is met. Similarly, it may constitute per se patent misuse if the market power test of Section 271(d)⁵⁰ is satisfied.

Conversely, conduct will implicate neither the antitrust laws nor the patent misuse doctrine if it is neither exclusionary under the antitrust laws nor within a recognized category of patent misuse. Similarly, patent-related conduct analyzed under the rule of reason will not constitute an antitrust violation or patent misuse if it does not cause anticompetitive effects.

Conduct relating to the licensing of or licensing conditions for the patent-in-suit in a manner that contravenes principles of patent law is likely to remain a possible subject of patent misuse without necessarily implicating the antitrust laws. The clearest example is collection of double royalties on the patent-in-suit. Courts have considered double royalties to violate the principle of patent exhaustion but the practice would not necessarily be viewed as exclusionary conduct under the antitrust laws. In addition, certain exclusionary conduct involving the patent-in-suit might constitute patent

misuse but not an antitrust violation if the conduct has an anticompetitive effect but additional antitrust elements, such as antitrust standing or antitrust injury, are not satisfied.

Beyond these situations, things become murkier. Under *Princo*, conduct that is exclusionary under the antitrust laws, but does not use “patent leverage” to impose restrictions on the use of the patent-in-suit beyond “the reach of the monopoly granted by the Government,” may violate the antitrust laws without constituting patent misuse.⁵¹ The difficulty is determining when conduct constitutes an attempt to leverage the patent-in-suit beyond the monopoly granted by the government. *Princo* provides a good example. Philips allegedly agreed with Sony that Philips would include Sony’s digital patent along with Philips’s analog patent (the patent-in-suit) in the patent pool for the Orange Book standards if Sony would refrain from licensing its digital patent for competing uses. *Princo* asserted that, as a result, the Orange Book standards (which incorporated the technology subject to Philips’s patent-in-suit) potentially faced less competition than it otherwise would have. The dissent opined that the same agreement combined Philips’s patent-in-suit and Sony’s patent in the patent pool and restricted the availability of (and thereby competition from) Sony’s patent.⁵² The majority, by contrast, analyzed Sony’s alleged agreement not to license its patent in isolation from Philips’s agreement to include Sony’s patent along with the patent-in-suit in the patent pool, and held that Sony’s agreement not to license its patent did not constitute misuse of Philips’s patent.⁵³

One can imagine other scenarios in which the patent-in-suit is used as the basis of an agreement or other exclusionary conduct pursuant to which the patent-in-suit is used to restrict competition from another source in a manner that leverages the patent-holder’s power beyond the scope of the patent, but without restricting the alleged infringer from obtaining a license to the patent-in-suit. Take, for example, the situation in which a patent-holder improperly conditions the license of patent A on an overly broad grantback provision and thereby acquires potentially competing patent B. It would appear that neither subsequent enforcement of patent A minus the grantback obligation nor subsequent enforcement of patent B would constitute patent misuse under *Princo*, although the conduct might constitute an antitrust violation.

Also, the *Princo* decision may be more difficult to apply if the conduct in question involves not two clearly distinct patents owned by different parties, but multiple related patents of a single owner. If a patent-holder misuses a group of patents (for example, by conditioning a license on the purchase of an unpatented product) and then sues to enforce one patent in that group, presumably the misuse will be attributed, at least in part, to the patent-in-suit. Conversely, in the same situation, if the patent-holder instead chooses to sue to enforce a related patent from the same patent family, there may be no “misuse of the patent-in-suit.”⁵⁴ Antitrust law may be less likely to differentiate between these two sit-

uations if the economic result is identical.

Ambiguities in the application of other recent patent misuse and antitrust decisions could lead to further divergence between the two. As noted above, the Federal Circuit recently ruled that allegations of patent misuse involving patent-to-patent tying must be analyzed under the rule of reason.⁵⁵ While its reasoning would appear to apply equally to analysis of antitrust claims, this awaits confirmation from the courts. And it remains to be seen what impact the Supreme Court’s decision in *Leegin*⁵⁶ will have with respect to the application of either patent misuse or antitrust law to a patent-holder’s imposition of restrictions on the prices that a licensee may charge its customers. As a result, following *Princo*, it will be important for antitrust and intellectual property advisors to evaluate separately whether particular patent-related conduct may amount to patent misuse or may violate the antitrust laws, as both the elements of the analysis and the results may differ.

The *Princo* decision may also affect the litigation of certain patent infringement cases. In particular, it may make it more difficult for alleged infringers to raise certain affirmative defenses in patent infringement litigation. Alleged infringers may only be able to challenge certain patent-related conduct by filing a separate antitrust claim or a counterclaim (assuming the additional elements of an antitrust claim are satisfied). This may be an inadequate alternative because of the additional elements necessary to prove an antitrust claim, the possibility that a court could stay the antitrust claim pending resolution of the infringement claim, and the added cost of filing a counterclaim or separate suit rather than an affirmative defense.

The *Princo* decision also may further encourage patent-holders to bring enforcement actions before the ITC. Because the ITC lacks jurisdiction to hear antitrust counterclaims, it could prove impossible for alleged infringers to introduce certain patent-related conduct into patent enforcement actions brought at the ITC. Although alleged infringers could file a separate antitrust action in federal court, the speed of ITC investigations ensures that the patent enforcement action is likely to be decided long before any separate antitrust claim.

Princo is certainly not the last word in the development of the patent misuse doctrine. Indeed, it is difficult to predict how patent misuse might evolve. But the *Princo* decision appears to mark a significant turning point. Following many years of convergence between patent misuse and antitrust law, it now appears that they are poised to develop independently, with ramifications for practitioners of antitrust and intellectual property law alike. ■

¹ *Princo Corp. v. ITC*, 616 F.3d 1318 (Fed. Cir. 2010).

² *C.R. Bard, Inc. v. M3 Systems, Inc.*, 157 F.3d 1340, 1372 (Fed. Cir. 1998).

³ *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 704 (Fed. Cir. 1992).

⁴ The Federal Circuit traced the origin of the patent misuse doctrine to *Motion*

- Picture Patents Co. v. Universal Film Manufacturing Corp.*, 243 U.S. 502 (1917). See *Princo*, 616 F.3d at 1326.
- ⁵ *Motion Picture Patents Co.*, 243 U.S. at 515–16.
- ⁶ *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 343 (1971) (quoting *Precision Instrument Mfg. Co. v. Automotive Maint. Mach. Co.*, 324 U.S. 806, 816 (1945)).
- ⁷ *Id.*
- ⁸ *Id.* at 343–44 (quoting *Mercoind v. Mid-Continent Inv. Co.*, 320 U.S. 661, 666 (1944)).
- ⁹ *Morton Salt Co. v. Suppiger Co.*, 314 U.S. 488, 491–492 (1942) (provision tying license of patent on canning machine to use of licensor’s unpatented salt tablets constituted patent misuse); compare *Int’l Salt Co. v. United States*, 332 U.S. 392 (1947) (provision tying lease of patented canning machines to use of unpatented salt tablets violated antitrust laws).
- ¹⁰ See *Intel Corp. v. ULSI Sys. Tech., Inc.*, 995 F.2d 1566, 1568 (Fed. Cir. 1993).
- ¹¹ *Windsurfing Int’l, Inc. v. AMF, Inc.*, 782 F.2d 995 (Fed. Cir. 1986).
- ¹² *Id.* at 1001 (quoting *Blonder-Tongue Labs.*, 402 U.S. at 343).
- ¹³ *Id.*
- ¹⁴ *Id.* at 1001–02.
- ¹⁵ *Id.* at 1002.
- ¹⁶ See 35 U.S.C. § 271(d) (5) (added by Pub. L. No. 100-703, § 201, 102 Stat. 4676 (1988)).
- ¹⁷ See *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992) (upholding finding of patent misuse with respect to single use only label license on patented inhalers used to deliver radioactive or therapeutic pharmaceutical products in aerosol form); see also *Monsanto Co. v. McFarling*, 363 F.3d 1336 (Fed. Cir. 2004); *Virginia Panel Corp. v. MAC Panel Co.*, 133 F.3d 860 (Fed. Cir. 1997); *B. Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419 (Fed. Cir. 1997).
- ¹⁸ *PSC Inc. v. Symbol Tech., Inc.*, 26 F. Supp. 2d 505 (W.D.N.Y. 1998).
- ¹⁹ *Id.* at 507–08.
- ²⁰ *Id.* at 510.
- ²¹ *Id.*
- ²² *Id.* at 510–11. It is unfortunate that the court did not explain its reasoning in more detail, as the result appears questionable. Based on the facts explained by the court, there appears to be no reason why Symbol could not have achieved the same result by charging PSC a higher royalty and not charging any royalty to Telxon. The court’s decision leaves unclear whether other factors might have prevented such a result.
- ²³ *Minebea Co., Ltd. v. Papst*, 444 F. Supp. 2d 68 (D.D.C. 2006).
- ²⁴ *Id.* at 209–210 (citing *U.S. Philips Corp. v. ITC*, 424 F.3d 1179, 1185–86 (Fed. Cir. 2005)).
- ²⁵ *Id.* at 216.
- ²⁶ *Id.* (citing 35 U.S.C. § 271(d)(5); *U.S. Philips Corp.*, 424 F.3d at 1186–87).
- ²⁷ *Id.* (citing *Intergraph Corp. v. Intel Corp.*, 195 F.3d 1346, 1353 (Fed. Cir. 1999)).
- ²⁸ *Id.* at 217.
- ²⁹ *Id.* at 219.
- ³⁰ *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100 (1969).
- ³¹ *Id.* at 135.
- ³² *Id.* at 140.
- ³³ *Virginia Panel Corp. v. MAC Panel Co.*, 133 F.3d 860 (Fed. Cir. 1997).
- ³⁴ *Id.* at 872.
- ³⁵ *Id.* at 873.
- ³⁶ *Illinois Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 42 (2006).
- ³⁷ See, e.g., AMERICAN BAR ASS’N, INTELLECTUAL PROPERTY AND ANTITRUST HANDBOOK 163–247 (2007) (citing to and discussing cases involving both patent misuse and antitrust claims).
- ³⁸ *U.S. Philips Corp. v. Int’l Trade Comm’n*, 424 F.3d 1179 (Fed. Cir. 2005).
- ³⁹ *Id.* at 1189–92. The court also noted, as an alternative ground, the absence of evidence that any of the patents in the pool were non-essential or that inclusion of the patents in the pool had an actual anticompetitive effect. *Id.* at 1194–95.
- ⁴⁰ *Princo Corp. v. Int’l Trade Comm’n*, 563 F.3d 1301 (Fed. Cir. 2009).
- ⁴¹ *Id.* at 1310.
- ⁴² *Id.* at 1315.
- ⁴³ *Id.*
- ⁴⁴ *Princo Corp. v. Int’l Trade Comm’n*, 616 F.3d 1318 (Fed. Cir. 2010).
- ⁴⁵ *Id.* at 1331.
- ⁴⁶ *Id.* at 1329.
- ⁴⁷ *Id.* at 1333.
- ⁴⁸ *Id.* at 1352 (Dyk, J., dissenting).
- ⁴⁹ *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2 (1984).
- ⁵⁰ 35 U.S.C. § 271(d).
- ⁵¹ *Princo*, 616 F.3d at 1331.
- ⁵² *Id.* at 1346 (“The agreements to suppress the [Sony patent] were not separate or collateral agreements, as the majority suggests, but were part and parcel of the same course of conduct designed to protect the [patent-in-suit] from competition from the alternative [Sony] technology.”).
- ⁵³ *Id.* at 1333 (referring to “the purported agreement between Philips and Sony not to license the [Sony] technology”).
- ⁵⁴ *Id.* at 1329.
- ⁵⁵ *U.S. Philips Corp. v. Int’l Trade Comm’n*, 424 F.3d 1179 (Fed. Cir. 2005).
- ⁵⁶ *Leegin Creative Leather Prods., Inc. v. PSKS, Inc.*, 551 U.S. 877 (2007).