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Article

ANTITRUST COUNTERCLAIMS IN PATENT INFRINGEMENT CASES: A GUIDE TO WALKER PROCESS AND SHAM-LITIGATION CLAIMS

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The antitrust laws have become the weapon of choice for defendants facing patent infringement claims. The two most common antitrust counterclaims brought by infringement defendants are known as Walker Process claims and Handgards or sham litigation claims. Through sheer repetition and a philosophical change in the judiciary, motions to dismiss these counterclaims have become more difficult to win as courts have somewhat overlooked the stringent requirements of these causes of action. More claims now proceed through discovery and in some cases to a jury.[1] As a result, patent holders should generally expect to face these expensive and potentially destructive antitrust claims brought as defensive measures against their patent infringement cases. ***96** Further, some courts appear willing to consider novel antitrust theories, such as fraud on a standard-setting body, that expand the limited antitrust doctrines available in the patent context to include conduct that would normally be analyzed under the doctrine of patent misuse.[2] Moreover, the Federal Trade Commission ("FTC") is considering enacting a rule that would subject companies to antitrust liability for failing to disclose patents and even pending patent applications to standard-setting bodies to which they belong.[3] These novel antitrust counterclaims pose serious litigation risks. The mere threat of treble damages, coupled with the loss of patent rights, obviously raises the stakes for patent holders pursuing infringement claims.

Legitimate patent holders should take some solace in the fact that these claims generally remain difficult to prove. This article attempts to outline the elements of Walker Process and Handgards or sham litigation claims and to explain the grounds on which these claims may be attacked in motions to dismiss and/or at the summary judgment stage. The article then addresses the recent Xerox[4] case and its implications for antitrust plaintiffs and their attempts to expand the limited circumstances under which the Federal Circuit permits antitrust to infringe on patent rights.

I. Patent Infringement Claims Based on Fraudulently Procured Patents: Walker Process

In 1965, the Supreme Court decided Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.[5] Walker Process's holding merely applied basic antitrust analysis for Sherman Act Section 2 claims to firms that have enforced patents obtained through fraud on the Patent Office.[6] To the extent there were questions about the applicability of the antitrust laws to conduct by patent holders, nowhere in Walker Process did the Court suggest that conduct directly related to legally acquired patent rights could be subject to treble damages under the antitrust laws.

Notwithstanding inventive claims brought by antitrust plaintiffs, the antitrust liability doctrine of Walker Process is a simple concept. An entity that defrauds the Patent and Trademark Office (PTO) should not be afforded the Constitutional protections of Article I, Section 8, and the patent laws in general.[7] If those ***97** protections are lifted, the entity's conduct may then, quite properly, be scrutinized under the antitrust laws. This is precisely why Walker Process and its progeny require the antitrust plaintiff to show fraud on the PTO as well as all the regular requirements for bringing a Sherman Act Section 2 claim.

As a broad framework, Walker Process operates through two elements. First, a claimant must plead and prove that the patent(s)-in-suit were obtained through fraud on the PTO.[8] Second, a claimant must also meet the requirements for bringing a claim under Section 2 of the Sherman Act.[9]

The fraud-on-the-PTO element[10] requires a party to plead and prove that the patentee: 1) knowingly and willfully made a fraudulent omission or misrepresentation; 2) with clear intent to deceive the patent examiner; and 3) that the misrepresentation or omission was the "efficient, inducing, and proximate cause, or the determining ground" of the issuance of the patent, i.e., "the patent would not have issued but for the misrepresentation or omission."[11] There are sub-elements here that a defendant may use to attack an antitrust claim. For example, Walker Process fraud requires "independent and clear evidence of deceptive intent [related to misrepresentations or omissions from a patent application] together with a clear showing of reliance, i.e., that the patent would not have issued but for the misrepresentation or omission."[12]

In analyzing fraud relating to omissions, Nobelpharma held that failure to cite prior art to the PTO will support antitrust liability only "in limited circumstances."[13] These circumstances must include evidence of fraudulent intent: "[a] mere failure to cite a reference to the PTO will not suffice."[14] Claims of misrepresentation require similar proof. "[T]he fact misrepresented must be 'the efficient, inducing, and proximate cause, or the determining ground' of the action taken in reliance thereon."[15]

***98** The materiality element required to establish a Walker Process claim is also critical .[16] The Federal Circuit rejected the argument that a presumption of materiality existed merely for withheld prior art. The court held "[t]here is no presumption that information not filed by an applicant was material simply because patentability ensued."[17] The court also rejected the notion that deceit ought to be presumed from the fact that omissions occurred:

> Deceptive intent is not inferred simply because information was in existence that was not presented to the examiner; and indeed, it is notable that in the usual course of patent prosecution many choices are made, recognizing the complexity of inventions, the virtually unlimited sources of information, and the burdens of patent examination.[18]

These Walker Process fraud issues relating to materiality and the intent to defraud may be raised effectively as defensive arguments.[19] Further, as with all fraud claims, Rule 9(b) of the Federal Rules of Civil Procedure requires particularity in a plaintiff's fraud pleadings.[20]

Assuming a plaintiff can raise sufficient fact questions to survive motions to dismiss and summary judgment on the Walker Process fraud elements, the antitrust plaintiff must also meet the traditional elements of an antitrust claim under Section 2 of the Sherman Act.

The most common Section 2 basis for a Walker Process claim is an attempt-to-monopolize theory. This is generally the case because the unlawfully acquired patents are being used to gain monopoly power and the unlawful patent holder has not yet acquired monopoly power in a relevant market. The absence of monopoly power in a relevant market is fatal to a traditional Section 2 monopolization claim.[21]

***99** Although extremely unsuccessful before the courts,[22] antitrust plaintiffs continue to raise Walker Process claims as an offensive litigation tactic. The threat of treble damages and the protracted and costly litigation of antitrust claims lead many executives to reassess the benefits of protracted legal action. Because these claims allege unlawful use of intellectual property rights and remain extremely difficult to plead and prove, those companies attempting to protect their lawfully acquired intellectual property should not succumb to settlement pressure brought through Section 2 counterclaims.

II. Invalid Patents and Handgards

The Federal Circuit views sham litigation and Walker Process claims as distinct and separate means for defeating Noerr-Pennington immunity and successfully raising counterclaims against patent infringement suits.[23] Handgards, Inc. v. Ethicon, Inc. is recognized as the first case to address sham litigation in the patent context.[24] The case involved the defendant's assertion of invalid patents ***100** against its competitor (Handgards) that impaired Handgards' relations with potential customers, aborted a proposed joint venture, and left Handgards unable to obtain outside financing necessary to remain competitively viable.[25] The court recognized that such conduct may implicate the antitrust laws because the conduct effectively eliminated competition in a relevant market.[26] As a result, the use of the courts, or other governmental agencies to enforce invalid patents, either alone or with other related conduct that tends to eliminate competition in a relevant market, became known as a Handgards or sham litigation claim.

It is critical to note that Handgards also involved conduct associated with invalid patents. To date, "[n]o court has ever held that the antitrust laws require a patent holder to forfeit the exclusionary power inherent in his patent the instant his patent monopoly affords him monopoly power over a relevant product market."[27] As a result, there is no recognized antitrust claim that arises from anticompetitive conduct that is grounded solely on enforcing valid patents.[28] Consequently, a sham litigation claim requires proof similar to the proof required for a Walker Process claim. There must be some inquiry into the validity of the patents at issue.[29]

A sham litigation claim is an exception to Noerr-Pennington immunity that requires a plaintiff to plead and prove that (1) the infringement suit was objectively baseless at the time the lawsuit was filed.[30] Only if this element is pled and proven does the Court move to the second element requiring proof that the suit was (2) motivated by a subjective intent to abuse the litigation process to interfere with the business of a competitor, rather than to obtain judicial relief.[31] The Supreme Court first adopted this two-part test in Professional Real Estate Investors or "PRE."[32] Such a claim is not limited to the antitrust context.[33]

***101** A plaintiff asserting a sham litigation claim must first prove that the suit was objectively baseless.[34] "A lawsuit is objectively baseless only if 'no reasonable litigant could realistically expect success on the merits.' "[35] If an objective party could determine that the suit was "reasonably calculated to elicit a favorable outcome," an antitrust claim based on sham litigation fails.[36] An objective review of legally reasonable litigation precludes any inquiry into the subjective economic circumstances or motivations the antitrust defendant may have had in bringing the suit.[37]

In patent infringement cases, courts recognize that a ruling of non-infringement "does not necessitate a finding that the lawsuit was objectively baseless."[38] In fact, the Supreme Court requires an inquiry into the reasonableness of the antitrust defendant's litigation when filed.[39] As a result, courts "must resist the understandable temptation to engage in post hoc reasoning by concluding that an ultimately unsuccessful action must have been unreasonable or without foundation."[40] This is particularly true where a court's ruling on claim construction results in the loss of the antitrust defendant's infringement case.[41]

Only if an antitrust plaintiff makes a preliminary showing of baselessness, should a court examine the litigant's subjective motivation for bringing the infringement suit. Under this second prong of PRE, the claimant must present evidence that "the baseless lawsuit conceals 'an attempt to interfere directly with ***102** the business relationships of a competitor.' "[42] Because of the difficulty of proving the first prong of PRE, courts rarely reach issues related to the subjective intent of the party bringing the infringement case.

III. Attempted Monopolization

Assuming an antitrust plaintiff can present material issues of fact to show fraud on the PTO or that defendant filed an objectively baseless suit coupled with improper subjective motivation for bringing the claim, an antitrust plaintiff must plead and prove the remaining elements of a Section 2 claim. Because firms do not generally have market power without valid patents, most of these counterclaims will involve attempted monopolization.

An attempted monopolization claim under Section 2 requires proof (1) of a relevant market; (2) that defendant has engaged in predatory or otherwise anticompetitive conduct; (3) that defendant specifically intended to acquire monopoly power within the market; and (4) that defendant has reached a dangerous probability that the attempt would be successful in achieving a monopoly in the relevant market.[43]

The dangerous probability requirement offers the best opportunity to dismiss the case before trial because this element may not be inferred solely from the complained-of acts.[44] Rather the analysis also requires an inquiry into the relevant product and geographic markets and the defendant's economic power in those markets.[45] Such an analysis in a patent case would consider the antitrust defendant's economic power apart from the asserted patents.

Assessing the antitrust defendant's likelihood of achieving monopoly power in a relevant market is usually accomplished by analyzing the defendant's market share and considering evidence of entry barriers.[46] If the defendant already enjoys significant market power, it is likely that the defendant's conduct, if undeterred, will result in actual monopolization.[47] On the other hand, low market share is ***103** probably an indication that the defendant is not, and may never be, dangerously close to achieving monopoly power.[48]

But even a high degree of market share is not necessarily determinative. Courts also look to overall competitive conditions within the industry. For example, proof that the market remains highly competitive despite defendant's large market share tends to negate the dangerous probability element.[49] Moreover, a defendant's high market share may be offset by low barriers to entry.[50] This analysis becomes more convoluted when the use of a patent (valid or invalid) may itself confer market power. A court should consider the nature of the relevant market as well as the available substitutes and entry barriers to determine whether the use of the patent alone may confer a dangerous probability of achieving monopoly power.[51]

IV. Xerox: The Safety Zone for the Use of Valid Patents

The Supreme Court recently let stand one of the most important Federal Circuit cases in recent memory.[52] Xerox delineated the narrow circumstances under which a purported patent holder may be held liable under antitrust law for the exercise of its patent rights.[53]

In Xerox, the plaintiffs accused Xerox of violating the Sherman Act for its refusal to sell its patented parts to independent service organizations ("ISOs") that were competing to service and to maintain Xerox copiers. The plaintiffs alleged Xerox's conduct would eliminate ISOs as competitors in the relevant service ***104** markets because they were being denied access to necessary patented parts. Xerox counterclaimed for patent infringement and contested the antitrust allegations, claiming an unfettered right to license, or not to license, its patented parts.[54]

The district court dismissed the antitrust claims, holding that "a patent. . .holder's unilateral refusal to sell or license its patented invention. . .is not unlawful exclusionary conduct under the antitrust laws, even if the refusal to deal impacts competition in more than one market."[55] The court also held "the right holder's intent in refusing to deal and any other alleged exclusionary acts committed by the right holder are irrelevant to antitrust law."[56]

On review, the Federal Circuit first reconfirmed its exclusive appellate jurisdiction over the restrictions antitrust law places on a patentee's exercise of its patent rights.[57] The Federal Circuit then identified the narrow situations when the acquisition or enforcement of patent rights could result in antitrust liability.[58] The court held that antitrust laws cannot restrict a patentee's rights unless the alleged infringer proves one of three conditions: (1)" that the asserted patent was obtained through knowing and willful fraud within the meaning of Walker Process Equip., Inc. v. Food Mach. & Chem. Corp."[59]; (2)" that 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"[60]; or (3) illegal tying. The court stated:

> 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. We therefore will not inquire into his subjective motivation for exerting his statutory rights, even though his refusal to sell or license his patented invention may have an anticompetitive effect. . . .[61]

The Federal Circuit found no more reason to inquire into the "subjective motivation of Xerox in refusing to sell or license its patented works than [it] found in evaluating the subjective motivation of the patentee in bringing suit to enforce the same right."[62] It is this reasoning that underscores the importance of this ***105** decision. The plaintiffs in Xerox were prepared to show that the refusal to sell or license was driven by anticompetitive goals. The court chose to protect the patent rights of Xerox despite any anticompetitive conduct that may have been proven.

This decision, therefore, essentially immunizes a patentee from antitrust liability unless, as explained above, it can be shown that (1) the patent was obtained by fraud on the Patent & Trademark Office; (2) the suit by the patentee was "sham" as defined by PRE[63] or (3) the patent was used as a "tie" to extend market power beyond the patent grant.

While plaintiffs undoubtedly will continue to raise antitrust claims based on anticompetitive conduct, Xerox would appear to foreclose antitrust relief based on the enforcement of valid patents - unless the conduct involves a tying claim.[64] Recent cases, however, demonstrate that district courts and the Federal Trade Commission continue to struggle with the application of antitrust laws in the patent context.[65]

For example, in Wang Laboratories, Inc. v. Mitsubishi Electronics America, Inc., the Federal Circuit held that Wang's conduct in attempting to gain market recognition for its patented single in-line memory module ("SIMM") design granted Mitsubishi an implied license to manufacture and to sell the patented products.[66]

Beginning in September of 1983, Wang sought to patent its related SIMM design. These efforts resulted in two such patents issuing in 1987 and 1988. Prior to filing the first of the applications, a panel of Wang employees, including the inventor of the subject patents, introduced Wang's SIMM technology to the computer industry press. The panel indicated that Wang would fight at the Joint Electron Device Engineering Council (JEDEC), the industry's standard-setting organization, to ensure that its SIMM technology would become the memory module standard. The panel further revealed that Wang did not intend to produce SIMMs; rather, Wang would encourage others to manufacture the modules and then purchase them for use in its products. One panelist stated that Wang was not seeking patent rights in the SIMM design. Finally, the panel indicated that Wang's ultimate goal was to generate a large market for SIMMs and then take advantage of the volume-related cost reduction.[67]

Wang's dreams apparently came true. Its SIMM design was adopted at JEDEC as the industry standard, several manufacturers began mass-producing and ***106** marketing SIMMs, a large market developed for the modules, and Wang became a high volume purchaser. Mitsubishi was one of the manufacturers that Wang approached to produce SIMMs. During negotiations, Wang even suggested to Mitsubishi that it modify its SIMM design to comport with Wang's technology.[68]

Through all of this Wang never revealed the existence of its patent applications relating to the SIMM design it was so fervently promoting within the industry. Then, in December of 1989, Wang accused Mitsubishi of patent infringement. In its defense, Mitsubishi asserted that Wang's conduct created an implied license.[69]

The Federal Circuit agreed with Mitsubishi, holding that not only did Wang grant Mitsubishi a right to use the SIMM invention, but Mitsubishi supplied valuable consideration to Wang.[70] The court reasoned that "Wang received exactly the remuneration it desired: Wang's design is an industry standard, and the benefits of a large market and lower prices for SIMMs redound to this day."[71]

Although Wang did not turn on antitrust analysis, plaintiffs continue to cite the case as an example of conduct that may raise antitrust concerns in a patent context.[72] The case could be interpreted to stand for the proposition that a patent-holder's lawful monopoly may be limited or waived by virtue of its efforts to gain market share for its patented product while keeping secret its property rights in the product.[73] Read in light of Xerox, however, Wang merely relies on the remedies available in patent law to address misuse of valid patents. Courts should not allow antitrust law and its ever-vigilant practitioners to expand antitrust into an area of law that has developed its own remedies to deal with conduct affecting the use of valid patents.

Another example arose in the FTC's action against Dell Computer. A majority of the commission ordered that Dell could not enforce its patents against members of a standard-setting organization due to its misrepresentations to the organization.[74] Dell was a member of the Video Electronics Standards Association ("VESA"). VESA, like many standard-setting associations, has a policy that requires its members to certify that they have disclosed any potentially conflicting patent rights. VESA asked its members, including Dell, to certify whether they had ***107** any patents, trademarks or copyrights that may potentially conflict with the VL-BUS standard. According to the majority opinion, Dell certified that it had no such conflicting intellectual property rights.[75] The commission determined that VESA adopted its standard based in part on Dell's certification that it had no conflicting intellectual property rights.[76]

After the standard was adopted, Dell sought to enforce its patent against VESA members who planned to follow the adopted standard. The FTC instituted an enforcement action against Dell, alleging that Dell's attempt to enforce its patents, having failed to disclose them to a standards-setting body in which it participated, violated the FTC Act. The Commission found that Dell failed to act in good faith and that its failure to disclose was "not inadvertent." The Commission further found that VESA would have incorporated a different technology into the VESA standard had Dell properly disclosed its intellectual property.[77]

Therefore, the majority ordered that Dell was prohibited from enforcing its patent against those using the VL-BUS standard adopted by VESA.[78] The commission further ordered that Dell be prohibited from enforcing patent rights in the future where it intentionally fails to disclose those rights upon request of any standard-setting organization during the standard-setting process.[79]

In a lengthy dissent, Commissioner Mary L. Azcuenaga first noted that "[t]he sole act for which Dell is charged with a violation of law is that Dell's voting representative, in voting to adopt the standard, signed a certification that to the best of his knowledge, the proposed standard did not infringe on any relevant intellectual property."[80] Azcuenaga reasoned that in a routine antitrust analysis, the majority should have first answered two key questions: (1) whether Dell intentionally misled the standards-setting organization into adopting the standard that was covered by its patent and (2) whether as a result of the adoption of this standard Dell obtained market power through its knowing and intentional misleading of the standard-setting organization.[81]

Dell is a poorly reasoned decision because, among other reasons, no allegations in the complaint show that Dell intentionally or knowingly misled the standard-setting organization. Further, no allegation or facts exist to show that Dell obtained or threatened market power in the relevant market. The dissent points out that the commission essentially ignored the factual questions of intent and knowledge in effect imposing a strict liability standard on Dell. Nothing in the ***108** complaint alleges that Dell's voting representative was aware of the patent or the potential infringement at the time the vote on the standard was taken. The commission essentially imposed liability based on constructive knowledge or unsubstantiated inferences that the Dell representative must have known of the patent because some people at Dell did know of the patent. The commission's actions effectively imposed a duty of disclosure on Dell far beyond what the standard-setting organization required in its patent disclosure policy. The dissent correctly recognizes the biggest concern to be that the commission's decision forces companies to place their intellectual property at risk merely by participating in the standard-setting process.[82]

Another serious problem with the commission's decision is that it fails to address whether Dell acquired or extended its market power. Nothing in the analysis suggests that Dell acquired power to control prices and output in a relevant antitrust market.[83] Instead, the majority asserts that the standard itself confers market power after the industry standard becomes widely accepted.[84] This statement demonstrates the majority's failure to address traditional antitrust analysis because computer producers could readily switch to designs that did not incorporate Dell's technology. The fact that other technology may have been slower or less productive does not translate into higher prices or restricted output for consumers or any other harm to competition or consumers.[85]

The majority of public commentary on this decision agrees with the dissent.[86] Industry and standard-setting participants worry that large firms with extensive patent portfolios would put themselves at significant risk by participating in standards setting organizations after this decision.[87] The dissent and numerous legal scholars, trade associations and standard-setting organizations, including JEDEC, criticized the Dell majority decision on these and other grounds.[88]

Conclusion

Walker Process and Handgards or sham litigation claims remain extremely difficult to plead and to prove. Antitrust defendants should focus on the limits set ***109** by Xerox, the elements of fraud on the patent office for Walker Process, and the elements of objective baselessness for sham litigation claims as first line defenses. The remaining elements of Section 2 also offer significant potential opportunities for dismissal.

Practitioners should also remind courts that Federal Circuit law controls in issues related to antitrust's imposition on patent rights. Xerox correctly 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. Its limitations on imposing antitrust liability in the patent context are well reasoned and flow from the long-standing observance of the interplay between the two doctrines. Notwithstanding the commentary of some noted antitrust scholars and practitioners,[89] Xerox correctly draws the lines between the two disciplines.[90] The patent laws offer ample protections for misconduct related to valid patents.[91] The antitrust laws should - and after Xerox, they do - respect the long-standing protections afforded to intellectual property by Article I, section 8, and the patent laws.[92]

Footnotes

a1 David R. Steinman and Danielle S. Fitzpatrick are attorneys in the Antitrust Group and the Intellectual Property & Technology Litigation Group, respectively, at Gray Cary Ware & Freidenrich, L.L .P.

1 Rolite, Inc. v. Wheelabrator Envtl. Sys., Inc., 958F. Supp. 992, 1006 (E.D. Pa. 1997) (finding an allegation of "fraud by omission" in a Walker Process claim sufficient to overcome defendant's motion to dismiss); Nobelpharma AB v. Implant Innovations, Inc., 141F.3d 1059, 46 U.S.P.Q.2d (BNA) 1097 (Fed. Cir. 1998) (affirming District Court's denial of Nobelpharma's motion for JMOL or a new trial on Implant's Walker Process counterclaim); OpenLCR.com, Inc. v. Rates Tech., Inc., 112F. Supp. 2d 1223 (D. Colo. 2000) (holding in a declaratory relief action that plaintiff's allegations were sufficient to state a Walker Process claim); Southern Clay Products, Inc. v. United Catalysts, Inc., 2001 U.S. Dist. LEXIS 1951 (S.D. Tex. Feb. 1, 2001) (dismissing on JMOL defendant's Walker Process and Handgards counterclaims); Sony Elec., Inc. v. Soundview Tech., Inc., 157 F. Supp 2d 180 (D. Conn. 2001) (price fixing counterclaim raised in a patent infringement case survived a motion to dismiss); Rambus, Inc. v. Infineon Tech. AG, 164 F. Supp. 2d 743 (E.D. Va. Aug. 9, 2001) (dismissing antitrust counterclaim before submitting the case to a jury on the grounds that Infineon failed to present evidence of a geographic market).

2 See In re Dell Computer, No. C-3658, 121 F.T.C. 616, 1996 FTC LEXIS 291, *21 (May 20, 1996) (hereafter "Dell"); Wang Labs., Inc. v. Mitsubishi Elecs. America, Inc., 103 F.3d 1571, 41 U.S.P.Q.2d (BNA) 1263 (Fed. Cir. 1997); Rambus, 164 F.Supp. 2d 743.

3 Jack Robertson, Restraint of Trade at Issue: FTC may demand disclosures of pending patent applications, Electronic Buyers' News, June4, 2001.

4 In re Independent Serv. Orgs. Antitrust Litig., 203 F.3d 1322, 53 U.S.P.Q.2d (BNA) 1852 (Fed. Cir. 2000) (formerly C.S.U., LLC v. Xerox Corp.) (hereafter "Xerox"), cert. denied, 121 S. Ct. 1077 (2001).

5 382 U.S. 172, 147 U.S.P.Q. (BNA) 404 (1965).

6 Id. at 176, 147 U.S.P.Q. at 407.

7 U.S. Const. art. I, §8, cl.8.

8 Walker Process, 382 U.S. at 177, 147 U.S.P.Q. at 407.

9 Id. at 177-78, 147 U.S.P.Q. at 407.

10 The Federal Circuit applies its own law to Walker Process issues relating to fraud on the PTO, retaining its exclusive jurisdiction over patent cases covering questions of "[w]hether conduct in the prosecution of a patent is sufficient to strip a patentee of its immunity from the antitrust laws" Nobelpharma, 141 F.3d at 1067, 46 U.S.P.Q.2d at 1104. Consequently, Federal Circuit precedent governs the analysis of the fraud-on-the-PTO aspect of Walker Process antitrust claims.

11 Nobelpharma, 141 F.3d at 1070-71, 46 U.S.P.Q.2d at 1106 (an inequitable conduct defense is similar to Walker Process but requires far less proof than actual fraud on the PTO).

[12] Id.

[13] Id. at 1070, 46 U.S.P.Q.2d at 1106.

[14] Id. at 1071, 46 U.S.P.Q.2d at 1106-07.

[15] Id. at 1070, 46 U.S.P.Q.2d at 1106 (quoting 37 C.J.S. §18 (1943)).

[16] C.R. Bard, Inc. v. M3 Sys., Inc., 157 F.3d 1340, 1364-65, 48 U.S.P.Q.2d (BNA) 1225, 1242-43 (Fed. Cir. 1998).

[17] Id. at 1365, 48 U.S.P.Q.2d at 1243.

[18] Id.

[19] For a more complete discussion of these elements see Nobelpharma, 141 F.3d at 1070-71, 46 U.S.P.Q.2d at 1106 and C.R. Bard, Inc., 157 F.3d at 1364-65, 48 U.S.P.Q.2d at 1242-43.

[20] Import Sys. Int'l., Inc. v. Lee, No. 90 Civ. 6896 (MEL), 1992 WL 77613 at *1 (S.D.N.Y. Mar. 20, 1992); Kash 'N Gold, Ltd. v. Samhill Corp., No. 90 Civ. 1097 (MJL), 1990WL 196089 at*3 (S.D.N.Y. Nov. 29, 1990); Papst Motoren GMbH & Co. KG v. Kanematsu-Goshu (U.S.A.), Inc., 629F. Supp. 864, 870-71, 229 U.S.P.Q. (BNA) 516, 519-20 (S.D.N.Y. 1986). But see Rolite, Inc., 958F.Supp. at 1005 (refusing specifically to rule whether 9(b) applies to Walker Process claims); Micro Motion, Inc. v. Exac Corp., 112F.R.D. 2, 227 U.S.P.Q. (BNA) 79 (N.D. Cal. 1985).

[21] Thompson Everett, Inc. v. Nat'l Cable Adver., L.P., 57F.3d 1317, 1327 (4th Cir. 1995) ("Fatal to [plaintiff's] monopolization claim is the absence of any evidence of monopoly power...."); United States v. Grinnell Corp., 384U.S. 563, 570-71 (1966) ("The offense of monopoly under Section2 of the Sherman Act has two elements: (1)the possession of monopoly power in the relevant market and (2)the willful acquisition or maintenance of that power as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident.").

[22] A 1993 survey found that since January 1, 1985, only two out of twenty-five cases in which Walker Process claims were finally adjudicated were successful. Edward J. Fitzpatrick, Walker Process and Handgards Claims: The Necessary Elements and Track Records of Antitrust Claims Predicated on Fraudulent Prosecution of Infringement Actions, 365 PLI/Pat 403, 422 (1993). Since 1993, only one case has found liability for a Walker Process claim. See Nobelpharma, 141 F.3d 1059, 46 U.S.P.Q.2d 1097 (the Federal Circuit concluded that there was substantial evidence to support a finding of Walker Process fraud). And only one published case appears to have survived summary judgment since 1993. See Bristol-Myers Squibb Co. v. Ben Venue Lab., 90 F. Supp. 2d 540 (D.N.J. 2000) (the district court denied the plaintiff's motion for summary judgment against the defendant's Walker Process counterclaim). But see C.R. Bard, Inc. v. M3 Systems, Inc., 157 F.3d 1340, 43 U.S.P.Q.2d (BNA) 1225 (Fed. Cir. 1998) (finding no substantial evidence of fraud, the Federal Circuit reversed a jury verdict finding a Walker Process antitrust violation); Cabinet Vision v. Cabnetware, 129 F.3d 595, 44 U.S.P.Q.2d (BNA) 1683 (Fed. Cir. 1997) (the Federal Circuit held that the jury's factual determination that the patentee did not engage in Walker Process fraud was binding on the district court); Cygnus Therapeutics Systems v. ALZA Corp., 92 F.3d 1153, 39 U.S.P.Q.2d (BNA) 1666 (Fed. Cir. 1996), overruled on other grounds by Nobelpharma 141 F.3d 1059, 46 U.S.P.Q.2d 1097 (The Federal Circuit affirmed the district court's summary judgment order dismissing the plaintiff's Walker Process claim. One caveat: The Walker Process analysis was based in part on Ninth Circuit precedent. In Nobelpharma, however, the Federal Circuit held that such claims were within the exclusive jurisdiction of the Court of Appeals for the Federal Circuit and were to be decided as a question of Federal Circuit law.); Southern Clay Prods., Inc. v. United Catalysts, Inc., 2001 WL 812359 (S.D. Tex. Feb. 2, 2001) (the district court granted summary judgment against the defendant's antitrust claim predicated in part on Walker Process); Baxa Corp. v. McGraw, Inc., 996 F. Supp. 1044, 45 U.S.P.Q.2d (BNA) 1054 (D. Colo. 1997) (the district court granted summary judgment to the patent holder, dismissing the alleged infringer's Walker Process claim); American Packaging Corp. v. Golden Valley Microwave Foods, Inc., 1995 WL 262522 (E.D. Pa. May 1, 1995) (the district court granted the defendant's summary judgment motion and dismissed the Walker Process claim because the claim should have been pleaded as a compulsory counterclaim in a prior action); F.B. Leopold Co. v. Roberts Filter Mfg. Co., 882

F. Supp. 433 (W.D. Pa. 1995) (because the defendant did not establish a relevant market or the plaintiff's market power, the district court granted summary judgment dismissing the defendant's Walker Process claim); Scripto-Tokai Corp. v. Gillette Co., 1994 WL 746072 (C.D. Cal. Sept. 4, 1994) (the district court granted the defendant's motion for summary judgment as to the plaintiff's Walker Process claim because the plaintiff failed to establish that there was a genuine issue of material fact that the defendant made a material misrepresentation before the PTO, or that any alleged misrepresentation was made with the intent to deceive); Al-Site Corp. v. Opti-Ray, Inc., 1993 WL 455077 (E.D.N.Y. May 28, 1993) (the district court granted the plaintiff's motion for partial summary judgment, finding that the undisputed conduct of Al-Site in prosecuting its patent applications did not constitute a Walker Process claim).

23 Nobelpharma, 141 F.3d at 1071, 46 U.S.P.Q.2d at 1107 (the initiation of a patent infringement suit is generally a protected activity under the First Amendment).

24 601 F.2d 986, 202 U.S.P.Q. (BNA) 342 (9th Cir. 1979).

25 Id. at 988, 202 U.S.P.Q. at 344-45.

26 Id. at 996, 202 U.S.P.Q. at 351.

27 SCM Corp. v. Xerox Corp., 645 F.2d 1195, 1204, 209 U.S.P.Q. (BNA) 889, 899 (2d Cir. 1981).

28 Note that the use of valid patents may raise antitrust issues in the context of a tying claim . See, e.g., Xerox, 203 F.3d at 1326-27. However, an examination of tying claims is beyond the scope of this article.

29 Tying claims may involve the use of valid patents; however, it is the improper use of those patents to improperly expand or enter new markets not covered by an existing patent rights that implicates the antitrust laws. See, e.g. Eastman Kodak Co. v. Image Tech. Serv., Inc., 504U.S. 451, 479-80 n. 29 (1992) ("[P]ower gained through some natural and legal advantage such as a patent... can give rise to liability if 'a seller exploits his dominant position in one market to expand his empire into the next." ' (quoting Times-Picayune Publ'g Co. v. United States, 345 U.S. 594, 611 (1953))).

30 Nobelpharma, 141 F.3d at 1071, 46 U.S.P.Q.2d at 1107; Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc. (hereafter "PRE"), 508 U.S. 49, 60-61, 26 U.S.P.Q.2d (BNA) 1641, 1646 (1993).

31 PRE, 508 U.S. at 60-61, 26 U.S.P.Q.2d at 1646 (quoting Eastman Railroad Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127, 144 (1961)); Baltimore Scrap Corp. v. David J. Joseph Co., 237 F.3d 394, 399 (4th Cir. 2001).

32 PRE, 508 U.S. at 60-61, 26 U.S.P.Q.2d at 1646.

33 Bayou Fleet, Inc. v. Alexander, 234F.3d 852, 859 (5th Cir. 2000) ("Although the Supreme Court has limited its discussion of Noerr-Pennington immunity to cases involving antitrust litigation, this Court has extended the Noerr-Pennington doctrine to include claims under [42U.S.C.]Section1983"). Accord Manistee Town Ctr. v. City of Glendale, 227F.3d 1090, 1092 (9th Cir. 2000) (stating that Noerr-Pennington immunity "is no longer limited to the antitrust context; we have held that Noerr-Pennington immunity applies to claims under 42U.S.C. §1983 that are based on the petitioning of public authorities."); International Bhd. of Teamsters, Local 734 Health and Welfare Trust Fund v. Philip Morris Inc., 196 F.3d 818, 826 (7th Cir. 1999) ("Although the Noerr-Pennington doctrine originated in antitrust law, its rationale is equally applicable to RICO suits."); Hufsmith v. Weaver, 817F.2d 455, 458-59 (8th Cir. 1987) (holding that Noerr-Pennington doctrine is not limited to the antitrust context.). But see Cardtoons, L.C. v. Major League Baseball Players Ass'n, 208F.3d 885, 889-91, 54 U.S.P.Q.2d (BNA) 1353, 1356 (10th Cir. 2000) (declining to extend Noerr-Pennington immunity beyond antitrust claims).

34 Baltimore Scrap, 237 F.3d at 399.

[35] Id. (quoting PRE, 508 U.S. at 60, 26 U.S.P.Q.2d at 1646).

[36] PRE, 508 U.S. at 60, 26 U.S.P.Q.2d at 1646.

[37] Id. at 65-66, 26 U.S.P.Q.2d at 1648.

[38] Mitek Surgical Prod., Inc. v. Arthrex, Inc., 21 F.Supp.2d 1309, 1318, 49 U.S.P.Q.2d (BNA) 1275, 1282 (D. Utah 1998); Filmtec Corp. v. Hydranautics, 67 F.3d 931, 938, 36 U.S.P.Q.2d (BNA) 1410, 36 U.S.P.Q.2d (BNA) 1410, 1414 (Fed. Cir. 1995). See also Baltimore Scrap, 237 F.3d at 399 (indicating lawsuits are not baseless simply because a litigant lost).

[39] PRE, 508 U.S. at 61 n.5, 26 U.S.P.Q.2d at 1646 n.5; Filmtec Corp., 67 F.3d at 938, 36 U.S.P.Q.2d at 1415.

[40] PRE, 508 U.S. at 61 n.5, 26 U.S.P.Q.2d at 1646 n.5 (quoting Christiansburg Garment Co. v. EEOC, 434 U.S. 412, 421-22 (1978)).

[41] Carroll Touch, Inc. v. Electro Mechanical Sys., Inc., 15 F.3d 1573, 1576-77, 27 U.S.P.Q.2d (BNA) 1836, 1840-41 (Fed. Cir. 1993) (upholding district court's grant of summary judgment on antitrust counterclaims after a finding of non-infringement based on the claim construction of the patents-in-suit); Mitek Surgical Products, 21 F.Supp.2d at 1318, 49 U.S.P.Q.2d at 1282.

[42] PRE, 508 U.S. at 60-61, 26 U.S.P.Q.2d at 1646 (quoting Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127, 144 (1961)).

[43] Spectrum Sports, Inc. v. McQuillan, 506 U.S. 447, 456 (1993); Loctite Corp. v. Ultraseal Ltd., 781 F.2d 861, 875, 228 U.S.P.Q. (BNA) 90, 100 (Fed. Cir. 1985); United States v. American Airlines, Inc., 743 F.2d 1114, 1118-19 (5th Cir. 1984).

[44] Spectrum Sports, 506 U.S. at 459.

[45] Id.

[46] Great W. Directories, Inc. v. Southwestern Bell Tel. Co., 63 F.3d 1378, 1385 (5th Cir. 1995), amended, 74 F.3d 613 (5th Cir. 1996) ("Dangerous probability of achieving an actual monopoly position is customarily assessed by looking at the defendant's market share. If the defendant possesses a large share, it will likely be concluded that the defendant's conduct, if undeterred, will result in an actual monopoly.")

[47] Id.

[48] AD/SAT, A Div. Of Skylight, Inc. v. Associated Press, 181 F.3d 216, 229 (2d Cir. 1999) (holding that 20% market share insufficient to maintain attempted monopolization claim); Springfield Terminal Ry. Co. v. Canadian Pac. Ltd., 133 F.3d 103 (1st Cir. 1997) (holding that evidence of defendant's 10% market share was legally insufficient to support an attempted monopolization claim); U.S. Anchor Mfg., Inc. v. Rule Indus., Inc., 7 F.3d 986 (11th Cir. 1993) (overturning jury verdict finding attempted monopolization where defendant had only a 30% market share).

[49] Indiana Grocery, Inc. v. Super Valu Stores, Inc., 864 F.2d 1409, 1415 (7th Cir. 1989) (despite defendant's high market share, market remained highly competitive as evidenced by the fact that the defendant itself engaged in a prolonged price war).

[50] American Prof'l Testing Servs., Inc. v. Harcourt Brace Jovanovich, Legal and Prof'l Publications, Inc., 108 F.3d 1147, 1154 (9th Cir. 1997) (holding that failure to show high entry barriers defeated an attempted monopoly claim despite defendant's high market share); Rebel Oil Co. v. Atl. Richfield Co., 51 F.3d 1421 (9th Cir. 1995) (holding that although defendant's 44% market share was presumptively sufficient to support an attempted monopoly claim, the presumption was overcome by evidence of low barriers to entry).

[51] This analysis, while complex, should be carefully considered by the lower courts. A patent, by itself, does not necessarily confer market power. Jefferson Parish Hosp. Dist. No. 2 v. Hyde, 466 U.S. 2, 37 n.7 (1984) ("A common misconception has been that a patent or copyright, a high market share, or a unique product that competitors are not able to offer suffices to demonstrate market power. While each of three factors might help to give market power ... a patent holder has no market power in any relevant sense if there are close substitutes for the patented product.") (O'Connor, J., concurring); Abbott Labs. v. Brennan, 952F.2d 1346, 1355, 21 U.S.P.Q.2d (BNA) 1192, 1199 (Fed. Cir. 1991) (quoting Jefferson Parish Hosp. Dist. No. 2, 466 U.S. at 37 n.7); William Montgomery, The Presumption of Economic Power for Patented and Copyrighted Products in Tying Arrangements, 85Colum. L. Rev. 1140 (1985) ("The mere existence of a patent or copyright does not create a demand for a product").

[52] CSU, L.L.C. v. Xerox Corp., 121 S. Ct. 1077 (2001).

[53] Xerox, 203F.3d at 1324, 53 U.S.P.Q.2d at 1852.

[54] Id. at 1324, 53 U.S.P.Q.2d at 1853-54.

[55] Id. 53 U.S.P.Q.2d at 1854.

[56] Id. (emphasis added).

[57] Id. at 1325 ("[W]hether 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" (quoting Nobelpharma, 141 F.3d at 1068, 46 U.S.P.Q.2d at 1104)).

[58] Xerox, 203 F.3d at 1326-28, 53 U.S.P.Q.2d at 1855-56.

[59] Id. at 1326, 53 U.S.P.Q.2d at 1855 (quoting Walker Process, 382 U.S. at 177, 147 U.S.P.Q. at 409 (1965)).

[60] Id.

[61] Id. at 1327, 53 U.S.P.Q.2d at 1856.

[62] Id. (Expressly declining to adopt the Ninth Circuit's rebuttal-presumption rule that a patent holder'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). But see Image Tech. Serv., Inc. v. Eastman Kodak Co., 125 F.3d 1195, 1218-19, 44 U.S.P.Q.2d (BNA) 1065, 1081-82 (9th Cir. 1997)

[63] PRE, 508 U.S. at 49, 26 U.S.P.Q.2d at 1641.

[64] Xerox, 203 F.3d at 1327, 53 U.S.P.Q.2d at 1856.

[65] Rambus, 164 F. Supp. 2d 743.

[66] 103 F.3d at 1582, 41 U.S.P.Q.2d at 1272.

[67] Id. at 1573-75, 41 U.S.P.Q.2d at 1265-67.

[68] Id. at 1575, 41 U.S.P.Q.2d at 1267.

[69] Id. at 1575-76, 41 U.S.P.Q.2d at 1267.

[70] Id. at 1579, 41 U.S.P.Q.2d at 1271.

[71] Id. at 1582, 41 U.S.P.Q.2d at 1272.

[72] Rambus, 164 F. Supp. 2d 743.

[73] Id. at 1580, 41 U.S.P.Q.2d at 1271 (stating that "an implied license merely signifies a patentee's waiver of the statutory right to exclude others from making, using, or selling the patented invention." (citing Spindelfabrik Suessen-Schurr Stahlecker & Grill GmbH v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft, 829 F.2d 1075, 1081, 4 U.S.P.Q.2d (BNA) 1044, 1048 (Fed. Cir. 1987))).

[74] Dell, 1996 FTC LEXIS 291 at *9.

[75] Id. at *12.

[76] Id. at *18.

[77] Id. at *14.

[78] Id. at *15.

[79] Id., at *16.

[80] Id. at *25-26.

[81] Id. at *26.

[82] Id. at *29.

[83] Market power is generally defined as the power to control prices and restrict output. Indiana Grocery, Inc. v. Super Valu Stores, Inc., 864 F.2d 1409, 1414; Ball Memorial Hosp., Inc. v. Mutual Hosp. Ins., Inc., 784 F.2d 1325, 1335 (7th Cir. 1986) ("Market power comes from the ability to cut back the market's total output and so raise price.").

84 Dell, 1996 FTC LEXIS 291 at *34.

85 Id.

86 Id. at *39-48.

87 Id. at *40, *43.

88 Id. at 39-48 (citing numerous organizations and critics of the majority decision). See also The Intersection of Antitrust and Intellectual Property: Adaptations, Aphorisms and Advancing the Debate, Address by Mary Azcuenaga, former Commissioner, Federal Trade Commission, available at www.ftc.gov/speeches/azcuenaga/alis.htm.

89 See, e.g., Robert Pitofsky, Chairman, Federal Trade Commission, remarks at the American Antitrust Institute Conference (June 15, 2001).

90 See Jonathan Gilecklen, Antitrust Liability for Unilateral Refusals to License Intellectual Property: Xerox and its Critics, Antitrust and Intellectual Property, Spring 2001, at 16.

91 For example, the defenses of patent misuse and equitable estoppel effectively punish patent owners who improperly exploit or otherwise misrepresent their intellectual property rights. Misuse occurs when a patent owner "exploits the patent in an improper manner by violating the antitrust laws or extending the patent beyond its lawful scope." Donald S. Chisum, Chisum on Patents §19.04 [1] [a] (2000). If such misuse is found, patent owners will not be awarded any remedy for infringement. Id. Three classic examples of misuse are: "(1) requiring the purchase of unpatented goods for use with patented apparatus processes, (2) prohibiting production or sale of competing goods, and (3) conditioning the granting of a license under one patent upon the acceptance of another and different license." Id. at §19.04 [3].

The defense of estoppel bars recovery for infringement where the patent owner represents that he will not enforce the patent against the infringer and the infringer reasonably relies on that representation. Id. at §19.05. Accord A. C. Aukerman Co. v. R. L. Chaides Const. Co., 960 F.2d 1020, 1028, 22 U.S.P.Q.2d (BNA) 1321, 1325 (Fed. Cir. 1992) (en banc). Equitable estoppel has three basic elements: "[1] The actor, who usually must have knowledge of the true facts, communicates something in a misleading way, either by words, conduct or silence. [2] The other relies upon that communication. [3] And the other would be harmed materially if the actor is later permitted to assert any claim inconsistent with his earlier conduct." A. C. Aukerman, 960 F.2d at 1041, 22 U.S.P.Q.2d at 1335-56.

92 U.S. Const. Art. I, §8, cl. 8.