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**A Nonobvious Way to Think About the Interplay
Between Patents and Antitrust**

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In the United States, patents have maintained an uneasy and often contentious relationship with antitrust law. Specifically, a view has long persisted that patents are “limited monopolies” entitled to absolute immunity from antitrust scrutiny.¹ Despite its historical pedigree, this view is wooden and at times overly simplistic,² and it has led lower courts to lament, for example, that “[t]here is an obvious tension between the patent laws and antitrust laws”³ or that “[p]atent law and antitrust law are at odds.”⁴ Both the United States Court of Appeals for the Federal Circuit and the federal antitrust enforcement agencies have repeatedly urged the opposite view—that patent law and antitrust law are in fact complementary⁵—but, as the United States Supreme Court’s

¹ See, e.g., *FTC v. Actavis, Inc.*, 570 U.S. 136, 161 (2013) (Roberts, C.J., dissenting) (“In doing so it provides an exception to antitrust law, and the scope of the patent—i.e., the rights conferred by the patent—forms the zone within which the patent holder may operate without facing antitrust liability.”); *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 343 (1971) (“Although recognizing the patent system’s desirable stimulus to invention, we have also viewed the patent as a monopoly which, although sanctioned by law, has the economic consequences attending other monopolies.”); *United States v. Line Material Co.*, 333 U.S. 287, 308 (1948) (“It is equally well settled that the possession of a valid patent or patents does not give the patentee any exemption from the provisions of the Sherman Act beyond the limits of the patent monopoly.”); *United States v. Masonite Corp.*, 316 U.S. 265, 277 (1942) (“The owner of a patent cannot extend his statutory grant by contract or agreement. A patent affords no immunity for a monopoly not fairly or plainly within the grant.”).

² As the Federal Circuit astutely observed in an opinion issued not long after its creation by Congress, this view stems from an unfortunate characterization of a patent’s statutory grant as a “monopoly”:

Nowhere in any statute is a patent described as a monopoly. The patent right is but the right to exclude others, the very definition of “property.” That the property right represented by a patent, like other property rights, may be used in a scheme violative of antitrust laws creates no “conflict” between laws establishing any of those property rights and the antitrust laws.... It is but an obfuscation to refer to a patent as “the patent monopoly” or to describe a patent as an “exception to the general rule against monopolies.”

Carl Schenck, A.G. v. Nortron Corp., 713 F.2d 782, 786 n.3 (Fed. Cir. 1983) (Markey, C.J.).

³ *United States v. Westinghouse Elec. Corp.*, 648 F.2d 642, 646 (9th Cir. 1981). “One body of law creates and protects monopoly power while the other seeks to proscribe it.” *Id.* See also *FTC v. Watson Pharms., Inc.*, 677 F.3d 1298, 1306 (11th Cir. 2012) (“The difficulty at the heart of this case is in deciding how to resolve the tension between the pro-exclusivity tenets of patent law and the pro-competition tenets of antitrust law.”), *rev’d sub nom.* *FTC v. Actavis, Inc.*, 570 U.S. 136 (2013); *SCM Corp. v. Xerox Corp.*, 645 F.2d 1195, 1203 (2d Cir. 1981) (“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.”).

⁴ *Boydston Equip. Mfg., LLC v. Cottrell, Inc.*, No. 3:16-cv-00790-SI, 2017 WL 4803938, at *5 (D. Or. Oct. 24, 2017). “The point of antitrust law is to encourage competitive markets to promote consumer welfare. The point of patent law is to grant limited monopolies as a way of encouraging innovation.” *Id.* (quoting *Actavis*, 570 U.S. at 161 (Roberts, C.J., dissenting)).

⁵ See, e.g., *Intergraph Corp. v. Intel Corp.*, 195 F.3d 1346, 1362 (Fed. Cir. 1999) (“The patent and antitrust laws are complementary, the patent system serving to encourage invention and the bringing of new products to market by adjusting investment-based risk, and the antitrust laws serving to foster

5–3 decision in *FTC v. Actavis, Inc.*,⁶ underscores, the notion that the two bodies of law are, at some level, locked in irreconcilable conflict has not been entirely dispelled.

This essay revisits two doctrinal developments that have contributed to the awkward and thorny relationship between patents and antitrust law.⁷ It then assesses where the legal thinking is today after the 2013 *Actavis* decision from the Supreme Court. Finally, this essay proposes an alternative, not novel but perhaps nonobvious way of analyzing patent-related conduct under the antitrust laws.

I.

A.

The persistent discontinuity at the interface between patents and antitrust can arguably be traced back to at least two critical developments in the law. First, as lawyers schooled in antitrust jurisprudence know, although the Sherman Antitrust Act was enacted in 1890,⁸ it was not until 1911, in the seminal *Standard Oil* decision,⁹ that the Supreme Court articulated the Rule of Reason for construing and applying section 1’s prohibition of contracts, combinations, and conspiracies in restraint of

industrial competition.”); *Atari Games Corp. v. Nintendo of Am., Inc.*, 897 F.2d 1572, 1576 (Fed. Cir. 1990) (“[T]he two bodies of law are actually complementary, as both are aimed at encouraging innovation, industry, and competition.”); U.S. Dep’t of Justice & Fed. Trade Comm’n, Antitrust Guidelines for the Licensing of Intellectual Property § 1.0 (2017) (“The intellectual property laws and the antitrust laws share the common purpose of promoting innovation and enhancing consumer welfare.”), <https://bit.ly/2kaelst>; U.S. Dep’t of Justice & Fed. Trade Comm’n, Antitrust Guidelines for the Licensing of Intellectual Property § 1.0 (superseded 1995) (same), <https://bit.ly/2ImDAsi>. See also *Int’l Wood Processors v. Power Dry, Inc.*, 792 F.2d 416, 427 (4th Cir. 1986) (“It is not difficult to conclude, ... that a central goal of both patent and antitrust law is the promotion of the public benefit through a competitive economy.”).

⁶ 570 U.S. 136 (2013). Justice Breyer wrote the majority opinion, which was joined by Justices Kennedy, Ginsburg, Sotomayor, and Kagan. Chief Justice Roberts wrote the dissenting opinion, which was joined by Justices Scalia and Thomas. Justice Alito took no part in the consideration or decision of the case.

⁷ I prefer to frame the topic of this essay as the relationship between *patents* and antitrust law, as opposed to the relationship between *patent law* and antitrust law. This may seem like a fine point but the reality is that patent law and antitrust law govern and regulate largely separate and distinct aspects of our economy (i.e., state protection of the fruits of inventive activity vs. state injunction against conduct and mergers that harm competition in markets) and therefore rarely come into conflict with one another. Cf. *Zenith Elecs. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1351–55 (Fed. Cir. 1999) (resolving a potential conflict between the Lanham Act of unfair competition and the patent and antitrust laws). By contrast, patents as property rights, as rights in contractual relationships, and as rights of access to the courts can and do create potential conflicts with antitrust law. More about this perspective in Part III.

⁸ 26 Stat. 209 (1890).

⁹ *Standard Oil Co. v. United States*, 221 U.S. 1 (1911).

trade or commerce.¹⁰ During the intervening period, the Court issued opinions holding that section 1 prohibited *all* contracts in restraint of trade or commerce, whether reasonable or unreasonable.¹¹ Against this backdrop, the Court took up the case of *E. Bement & Sons v. National Harrow Co.*,¹² an antitrust challenge to the legality of license agreements for a patented piece of farm equipment known as a float spring-tooth harrow.¹³

¹⁰ 15 U.S.C. § 1 (2012) (“Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal.”). *Standard Oil*, 221 U.S. at 60 (“The statute under this view evidenced the intent not to restrain the right to make and enforce contracts, whether resulting from combinations or otherwise, which did not unduly restrain interstate or foreign commerce, but to protect that commerce from being restrained by methods, whether old or new, which would constitute an interference,—that is, an undue restraint.”); *id.* at 66 (“If the criterion by which it is to be determined in all cases whether every contract, combination, etc., is a restraint of trade within the intendment of the law, is the direct or indirect effect of the acts involved, then of course the rule of reason becomes the guide, and the construction which we have given the statute, instead of being refuted by the cases relied upon, is by those cases demonstrated to be correct.”).

¹¹ *United States v. Joint-Traffic Ass’n*, 171 U.S. 505, 560 (1898) (“If it did not in any degree restrain trade, it was immaterial whether the statute embraced all contracts in restraint of trade, or only such as were in unreasonable restraint thereof.”) (declining to reconsider the decision in *Trans-Missouri*); *United States v. Trans-Missouri Freight Ass’n*, 166 U.S. 290, 312 (1897) (“So far as the very terms of the statute go, they apply to any contract of the nature described. A contract, therefore, that is in restraint of trade or commerce is, by the strict language of the act, prohibited, even though such contract is entered into between competing common carriers by railroad, and only for the purposes of thereby affecting traffic rates for the transportation of persons and property.”).

In *United States v. Addyston Pipe & Steel Co.*, 85 F. 271 (6th Cir. 1898), *aff’d*, 175 U.S. 211 (1899), Circuit Judge Taft (later, Chief Justice of the Supreme Court) observed that the Supreme Court’s interpretation of the Sherman Act announced in *Trans-Missouri* conflicted with the treatment of unreasonable restraints of trade at common law and rendered such restraints “unlawful in an affirmative or positive sense.” *Id.* at 278–79. It also conflicted with the common law treatment of so-called ancillary restraints of trade, which were viewed as reasonable and lawful because they are “inserted only to protect one of the parties from the injury which, in the execution of the contract or enjoyment of its fruits, he may suffer from the unrestrained competition of the other.” *Id.* at 282. On appeal, however, the Supreme Court did not see this case as an opportunity to revisit *Trans-Missouri* because the facts below “show conclusively that the effect of the combination was to enhance prices beyond a sum which was reasonable.” *Addyston Pipe & Steel Co. v. United States*, 175 U.S. 211, 238 (1899). See also *id.* (“We do not think the issue an important one, because, as already stated, we do not think that at common law there is any question of reasonableness open to the courts with reference to such a contract.”).

¹² 186 U.S. 70 (1902). For a recent but somewhat different take on *Bement* and its legacy, see Amelia Smith Rinehart, *E. Bement & Sons v. National Harrow Company: The First Skirmish Between Patent Law and the Sherman Act*, 68 SYRACUSE L. REV. 81 (2018).

¹³ *E. Bement & Sons*, a licensee sued for breaching its agreements with National Harrow, had alleged in response that these agreements amounted to a “combination on the part of all the dealers in patented harrows to control their manufacture, sale, and price in all portions of the United States,” in contravention of federal antitrust law. *Bement*, 186 U.S. at 84.

The licensor, National Harrow, was created by six firms in the spring-tooth harrow business that had previously been embroiled in patent infringement suits against one another. Specifically, two of the firms held patents that they asserted against the other four firms and their customers. They ultimately prevailed in court or settled out of court and entered into license agreements with each other. The six firms subsequently transferred their respective patent rights to National Harrow “for the purpose of conducting the manufacture of some part or portion of the material which entered into their spring tooth harrow business.”¹⁴

Reviewing the record, the Court saw nothing untoward about these patent licenses. On the contrary, they settled “a large amount of litigation between the many parties claiming to own various patents covering these implements,” which was “a legitimate and desirable result in itself.”¹⁵ Furthermore, the provision setting the price at which a licensee would sell implements manufactured under the license was “an appropriate and reasonable condition” because it “recogniz[ed] the nature of the property dealt in, and provid[ed] for its value so far as possible.”¹⁶

As the above statements make clear, the Court wanted to defend the legality of the patent licenses in question on reasonableness grounds even though they undoubtedly restrained interstate commerce in harrows. Because the flexible Rule of Reason had not yet entered its nascent Sherman Act jurisprudence, the Court had to find another way to get around its prior holdings that section 1 proscribed “any restraint in commerce, whether reasonable or unreasonable.”¹⁷ Out of this need (necessity being the mother of invention, as patent lawyers know) arose what has come to be known as the scope-of-the-patent exception to the antitrust laws:

¹⁴ *Id.* at 77.

¹⁵ *Id.* at 93. In other words, the licenses apparently resolved disputes over the validity and infringement of blocking patents held by the parties.

¹⁶ *Id.* The Court thus recognized that the licenses contained a price restraint that “tended to keep up the price of the implements manufactured and sold” but reasoned that this restraint merely effectuated the right of a patentee and its assignee or licensee to charge whatever the market will bear for the patented article. *Id.* In other words, the price restraint ensure that the patentee and its assignee or licensee reaped the full market value of the invention in question.

¹⁷ *Id.* at 92 (citing *Trans-Missouri Freight, Joint-Traffic Association*, and *Addyston Pipe & Steel Co. v. United States*, 175 U.S. 211 (1899)).

But [the Sherman Act] clearly does not refer to that kind of a restraint of interstate commerce which may arise from reasonable and legal conditions imposed upon the assignee or licensee of a patent by the owner thereof, restricting the terms upon which the article may be used and the price to be demanded therefor. Such a construction of the act, we have no doubt, was never contemplated by its framers.¹⁸

As is evident from the above quote, the Court made this point with considerable conviction, and yet it cited no authorities for its newly announced construction of the Sherman Act. Nor did the Court elaborate on its construction.¹⁹

Suffice it to say, had the Rule of Reason already become a part of the Supreme Court's Sherman Act precedent, there might not have been the need to create an absolute and rigid exception to the Sherman Act for patent licenses. The Court likely would have applied the Rule of Reason to the record facts and pronounced the patent licenses as reasonable restraints on competition. At least that is the counterfactual. What happened instead is that, a decade later in *Standard Oil*, the Court would observe in passing that *Bement* had been formulated as a "limitation on the general language used in *Freight Association* and *Joint Traffic Cases*."²⁰

Despite its vestigial status as a pre-Rule of Reason invention, *Bement* remains precedent in a post-Rule of Reason world.²¹ The Supreme Court has rejected at least

¹⁸ *Id.*

¹⁹ An explication of the rationale underlying the Court's construction of the Sherman Act in *Bement* can be found in Justice Burton's dissent in *United States v. Line Material Co.*, 333 U.S. 287 (1948):

This constitutional and legislative policy toward inventions is specific in contrast with the generality of the language in the Sherman Act of 1890. The constitutional and longstanding statutory approval of the exclusive rights of an inventor to make, use and sell products of his invention for a limited time was an ample guaranty that the Sherman Act did not directly or impliedly repeal such approval. The prohibition of unreasonable restraints of trade and the approval of exclusive rights of inventors to their inventions for limited periods of time continued to exist together. This was nothing new. As long as the inventors kept within their statutory exclusive rights, they were not engaging in unreasonable restraints of trade violating the Sherman Act.

There was nothing to indicate an intent that the general language of the Sherman Act was to change the nation's traditional and specifically stated policy towards inventions....

333 U.S. at 341 (Burton, J., dissenting).

²⁰ *Standard Oil Co. v. United States*, 221 U.S. 1, 60, 66 (1911).

²¹ Granted, *Bement* itself has been sparsely cited as precedent—principally because its patent-licensing fact pattern has been distinguished and limited by subsequent cases like *United States v. Line Material Co.*, 333 U.S. 287, 318–20 (1948), and *Standard Sanitary Manufacturing Co. v. United States*,

twice invitations to overrule *Bement*²² and instead has reaffirmed in *United States v. General Electric Co.*²³ that a patent owner's exclusive right to make, use, and sell its invention encompasses the right to license another party (including a competitor) to sell that invention and to "limit the selling by limiting the method of sale and the price."²⁴ Under *Bement* and *General Electric*, then, conduct that falls within the scope of the patent monopoly continues to be viewed as outside the reach of the antitrust laws. That perspective should create cause for some concern because this scope-of-the-patent exception—figuratively, a rigid and solid wall erected to protect patent licenses from automatic invalidation under the Sherman Act before *Standard Oil*—has the mischievous potential of sheltering anticompetitive conduct as well.²⁵

226 U.S. 20, 48 (1912)—and the decision can arguably be characterized “practically forgotten.” Rinehart, *supra* note 12, at 81, 82 & nn. 10–11 (2018) (characterizing *Bement* as “a practically forgotten 1902 Sherman Act case” that “has survived with little commentary from courts” and “fallen into relative obscurity”). Nonetheless, its construction of the Sherman Act as excluding agreements and conduct within the scope of a patent, which was reaffirmed by the Supreme Court in *Line Material* and *Standard Sanitary*, has lived on. See, e.g., *In re Ciprofloxacin Hydrochloride Antitrust Litig.*, 544 F.3d 1323, 1333 (Fed. Cir. 2008) (citing *Bement* for the proposition that “any adverse anti-competitive effects within the scope of the '444 patent could not be redressed by antitrust law” and finding “no error in the court’s analysis”), *abrogated by* *FTC v. Actavis, Inc.*, 570 U.S. 136, 141 (2013).

Professor Hovenkamp has characterized the “beyond the scope” formulation as “a relic of a bygone approach to antitrust and regulation, ... which regarded regulation as ‘ousting’ antitrust from the regulated market altogether.” Herbert Hovenkamp, *Antitrust and the Patent System: A Reexamination*, 76 OHIO ST. L.J. 467, 478 (2015).

²² *Line Material*, 333 U.S. at 310 (“We are thus called to make an adjustment between the lawful restraint on trade of the patent monopoly and the illegal restraint prohibited broadly by the Sherman Act. That adjustment has already reached the point, as the precedents now stand, that a patentee may validly license a competitor to make and vend with a price limitation under the *General Electric* case and that the grant of patent rights is the limit of freedom from competition under the cases first cited at note 22.”); *United States v. Gen. Elec. Co.*, 272 U.S. 476, 493, 494 (1926) (“The overruling of the *Dick* Case and the disapproval of the *Button-Fastener* Case by the *Motion Picture Film* Case did not carry with it the overruling of *Bement v. Harrow Co.* ... The authority of *Bement v. Harrow Co.* has not been shaken by the cases we have reviewed.” (discussing *Mot. Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917); *Henry v. A.B. Dick Co.*, 224 U.S. 1 (1912); and *Heaton-Peninsular Button-Fastener Co. v. Eureka Specialty Co.*, 77 F. 288 (6th Cir. 1896))).

²³ 272 U.S. 476 (1926).

²⁴ *Id.* at 490. The Court added that “[a patentee] may [limit the method of sale and the prices charged for its invention] provided the conditions of sale are normally and reasonably adapted to secure pecuniary reward for the patentee’s monopoly. One of the valuable elements of the exclusive right of a patentee is to acquire profit by the price at which the article is sold. The higher the price, the greater the profit, unless it is prohibitory.” *Id.*

²⁵ According to Professor Hovenkamp, the scope-of-the-patent exception, as described by Ward Bowman, Jr., in his treatise *Patent and Antitrust Law: A Legal and Economic Appraisal* (1973), likens the patent to “a kind of walled garden, protecting everything inside from antitrust scrutiny—provided that the activity remained inside the patent’s lawful scope.” Hovenkamp, *supra* note 21, at 472.

B.

Forty years after *Bement*, the Supreme Court in *Morton Salt Co. v. G.S. Suppiger Co.*²⁶ provided a full exposition of what would come to be known as the patent misuse doctrine. That case involved Suppiger's assertion of its patent on a salt deposition machine (useful in adding salt tablets to food during the canning process) against Morton, which manufactured and leased to canners allegedly infringing machines. Morton also made and sold unpatented salt tablets for use with the machines, in competition with Suppiger's wholly owned subsidiary, but the Court stressed that the alleged infringement centered on the salt deposition machines over which Suppiger held a presumptively valid patent.²⁷ So how did the case generate an issue important enough for the Court to take up?

On summary judgment Morton had successfully persuaded the trial court that Suppiger was in fact using its patent to restrain sales of unpatented salt tablets that competed with sales by its subsidiary.²⁸ But Morton's defense did not rise to the level of an antitrust violation because it had not shown, as the Seventh Circuit held on appeal, that Suppiger's use of the patent substantially lessened competition or tended to create a monopoly in a relevant market for salt tablets.²⁹ To the Supreme Court,

²⁶ 314 U.S. 488 (1942). The groundwork for the patent misuse doctrine was laid in two earlier cases: *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917), and *Carbice Corp. v. Am. Patents Dev. Corp.*, 283 U.S. 27 (1931). Both cases focused, however, on the patent owner's assertion of its rights as to unpatented materials. *Carbice*, 283 U.S. at 33–34 (“Relief is denied because the Dry Ice Corporation is attempting, without sanction of law, to employ the patent to secure a limited monopoly of unpatented material used in applying the invention.”) (dry ice); *Motion Picture Patents*, 243 U.S. at 517 (“This fact, if it be a fact, instead of commending, is the clearest possible condemnation of, the practice adopted, for it proves that, under color of its patent, the owner intends to and does derive its profit, not from the invention on which the law gives it a monopoly, but from the unpatented supplies with which it is used, and which are wholly without the scope of the patent monopoly, thus in effect extending the power to the owner of the patent to fix the price to the public of the unpatented supplies as effectively as he may fix the price on the patented machine.”) (films). In contrast to *Morton Salt*, neither case addressed more broadly the nature and contours of patent misuse.

²⁷ *Morton Salt*, 314 U.S. at 491 (“For reasons we indicate later, nothing turns on the fact that petitioner also competes with respondent in the sale of the tablets, and we may assume for purposes of this case that petitioner is doing no more than making and leasing the alleged infringing machines.”).

²⁸ *Id.* at 489–90 (“[T]he trial court, without passing on the issues of validity and infringement, granted summary judgment dismissing the complaint. It took the ground that respondent was making use of the patent to restrain the sale of salt tablets in competition with its own sale of unpatented tablets, by requiring licensees to use with the patented machines only tablets sold by respondent.”).

²⁹ *Id.* at 490.

however, this shortfall in proof did not present a hurdle to upholding the trial court's grant of summary judgment because Suppiger's alleged conduct nonetheless violated public policy "forbid[ding] the use of the patent to secure an exclusive right or limited monopoly not granted by the Patent Office[.]"³⁰ Invoking the maxim that a party seeking relief from a court of equity must come with clean hands, the Court therefore held that Suppiger's hands were unclean based on the record below of misusing its patent "as a means of restraining competition with [its] sale of an unpatented product."³¹

What is notable about the Court's reasoning in *Morton Salt* is that Suppiger's alleged misuse ostensibly had nothing to do with the merits of its infringement suit against Morton, which dealt strictly with Morton's unauthorized manufacture and lease of salt deposition machines over which Suppiger held a presumptively valid patent.³² The Court seemingly had no difficulty in supplying the required nexus, however:

[A]dditional considerations must be taken into account where maintenance of the suit concerns the public interest as well as the private interests of suitors. Where the patent is used as a means of restraining competition with the patentee's sale of an unpatented product, the successful prosecution of an infringement suit even against one who is not a competitor in such sale is a powerful aid to the maintenance of the attempted monopoly of the unpatented article, and is thus a contributing factor in thwarting the public policy underlying the grant of the patent. Maintenance and enlargement of the attempted monopoly of the unpatented article are dependent

³⁰ *Id.* at 492. See also *id.* at 494 ("It is unnecessary to decide whether respondent has violated the Clayton Act, for we conclude that in any event the maintenance of the present suit to restrain petitioner's manufacture or sale of the alleged infringing machines is contrary to public policy and that the district court rightly dismissed the complaint for want of equity.").

³¹ *Id.* at 492–93. *Morton Salt* and a companion case decided the same day, *B.B. Chem. Co. v. Ellis*, 314 U.S. 495 (1942), thus were the first cases in which the Court introduced the concept of "misuse" into the lexicon to describe a patent-related species of unclean hands: "Equity may rightly withhold its assistance from such a use of the patent by declining to entertain a suit for infringement, and should do so at least until it is made to appear that the improper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated." *Morton Salt*, 314 U.S. at 493. Accord *B.B. Chemical*, 314 U.S. at 497–98.

³² As Suppiger unsuccessfully argued to the Court, "[the unclean hands] doctrine is limited in its application to those cases where the patentee seeks to restrain contributory infringement by the sale to licensees of competing unpatented article, while here respondent seeks to restrain petitioner from a direct infringement, the manufacture and sale of the salt tablet depositor." *Morton Salt*, 314 U.S. at 492.

to some extent upon persuading the public of the validity of the patent, which the infringement suit is intended to establish.³³

The above-quoted justification for invoking the doctrine of unclean hands/misuse seems remarkable given the Court's prior acknowledgment in cases like *IBM Corp. v. United States*³⁴ that infringement suits serve to protect the patent monopoly,³⁵ which Suppiger indisputably sought to do with respect to salt deposition machines covered by its patent. The fact that a successful patent suit, in which issues of validity and infringement have been tried to an impartial judge or jury as Congress intended, might have some collateral reputational effect in the market for unpatented articles used with the patented invention, seems too slender a reed to support a charge of misuse.³⁶

Furthermore, the Court's justification seems woefully incongruous and suspect considering its subsequent pronouncement in *Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc.*³⁷ (*PRE*), that infringement suits are protected by the *Noerr-Pennington* doctrine unless they amount to "sham" litigation.³⁸ Under *PRE*'s

³³ *Id.* See also *id.* at 494 ("It is the adverse effect upon the public interest of a successful infringement suit in conjunction with the patentee's course of conduct which disqualifies him to maintain the suit, regardless of whether the particular defendant has suffered from the misuse of the patent.").

³⁴ 298 U.S. 131 (1936).

³⁵ *Id.* at 137 (observing that section 3 of the Clayton Act prohibiting tying clauses "does not purport to curtail the patent monopoly ... or to restrict its protection by suit for infringement").

³⁶ Indeed, some economists have studied the quality-signaling and reputation-building benefits of patent litigation. See, e.g., Cédric Gossart, Altay Özyaygen & Müge Özman, *Are Litigated Patents More Valuable? The Case of LEDs*, J. KNOWLEDGE ECON. at 17 (Jan. 2019) (finding through an empirical study that the quality of litigated patents relating to light emitting diodes is generally higher compared to that of non-litigated ones), available at <https://bit.ly/2C7AcvN>; Michael J. Mazzeo, Jonathan Hillel & Samantha Zyontz, *Explaining the "Unpredictable": An Empirical Analysis of U.S. Patent Infringement Awards*, 35 INT'L REV. L. ECON. 58, 69 (2013) (finding "that an empirical analysis based on observable factors explains a large portion of the variation in actual patent infringement awards" and that "several of the driving factors correspond to accepted indicators of patent quality"); Rajshree Agarwal, Martin Ganco & Rosemarie H. Ziedonis, *Reputations for Toughness in Patent Enforcement: Implications for Knowledge Spillovers via Inventor Mobility*, 30 STRATEGIC MGMT. J. 1349, 1367 (2009) (finding that a firm's reputation for "patent litigiousness" helps deter unauthorized transfers of proprietary knowledge via employee departures to rival and startup firms); Jean O. Lanjouw & Mark Schankerman, *Characteristics of Patent Litigation: A Window on Competition*, 32 RAND J. ECON. 129, 130 (2001) (observing that "for reputation building to be effective, litigation itself must convey information to competitors about the willingness to defend the patent" and finding "some supporting evidence" that "a patent is significantly more likely to be cited by other inventors shortly after it is litigated as compared to other patents of the same age involved in litigation longer ago (we call this the 'publicity effect')").

³⁷ 508 U.S. 49 (1993).

³⁸ The *Noerr-Pennington* doctrine stands for the proposition that "[t]hose who petition the government for redress are generally immune from antitrust liability." *Id.* at 56 (citing *Eastern R.R. Presidents Conference*

two-part test, infringement suits are not a sham unless they lack objective merit and conceal an attempt to interfere directly with the business relationships of a competitor.³⁹ Although *PRE* addresses Sherman Act immunity, its underlying principles, rooted in the First Amendment right to petition the government, apply with no less force in the misuse context, where a patentee's statutory right to seek relief from the courts is at stake.⁴⁰ On the record developed in *Morton Salt*, Suppiger's infringement suit against Morton does not appear to come close to satisfying *PRE*'s sham-litigation standard.

Like the scope-of-the-patent exception, the patent misuse doctrine contributes to the perceived tension between patents and antitrust law. As *Morton Salt* makes clear, the doctrine is grounded in patent policy,⁴¹ not competition policy—and appropriately so.⁴² But the trial court's assessment of the cleanliness of an infringement plaintiff's hands appropriates a competitive-effects analysis as part of the examination of whether the conduct in question impermissibly expands or extends the scope of the patent monopoly.⁴³ That can be problematic because patents do not necessarily give

v. Noerr Motor Freight, Inc., 365 U.S. 127, 136 (1961), and United Mine Workers of Am. v. Pennington, 381 U.S. 657, 669 (1965)).

³⁹ *Id.* at 60–61.

⁴⁰ 35 U.S.C. § 281 (“A patentee shall have remedy by civil action for infringement of his patent.”); C.R. Bard, Inc. v. M3 Sys., 157 F.3d 1340, 1373 (Fed. Cir. 1998) (“The conduct to which the jury instruction on misuse generally refers, that is, ‘wrongful’ enforcement of patents, is activity protected under *Noerr* and *California Motor*, and is not subject to collateral attack as a new ground of ‘misuse.’ ... It is not patent misuse to bring suit to enforce patent rights not fraudulently obtained, nor is otherwise legal competition such behavior as to warrant creation of a new class of prohibited commercial conduct when patents are involved.”); Glaverbel Societe Anonyme v. Northlake Mktg. & Supply, Inc., 45 F.3d 1550, 1558 (Fed. Cir. 1995) (“The bringing of a lawsuit to enforce legal rights does not of itself constitute violation of the antitrust laws or patent misuse; there must be bad faith and improper purpose in bringing the suit, in implementation of an illegal restraint of trade.”). *Accord* HVLPO₂, LLC v. Oxygen Frog, LLC, No. 4:16-cv-00336-MW-CAS, 2017 WL 5244820, at *2 (N.D. Fla. June 16, 2017).

⁴¹ *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 492 (1942) (“But the public policy which includes inventions within the granted monopoly excludes from it all that is not embraced in the invention.”).

⁴² To be clear here, I do not have any objection to the patent misuse doctrine being a product of patent policy. As an affirmative defense in a patent infringement suit, the question of unclean hands/misuse rightly focuses on whether the plaintiff has conducted itself in a manner consistent with what the patent system expects of patentees and their assignees and exclusive licensees.

⁴³ See, e.g., *Transparent-Wrap Mach. Corp. v. Stokes & Smith Co.*, 329 U.S. 637, 644 (1947) (“He who uses his patent to obtain protection from competition in the sale of unpatented materials extends by contract his patent monopoly to articles as respects which the law sanctions neither monopolies nor restraints of trade.”); *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665 (1941) (“In those cases both direct and contributory infringement suits were disallowed on a showing that the owner of the patent

rise to economic monopolies in the competition or antitrust sense.⁴⁴ The potential therefore exists for the patent misuse doctrine to condemn conduct that is trivially anticompetitive, for example, thereby creating dissonance with enforcement outcomes under the antitrust laws.⁴⁵

was using it 'as the effective means of restraining competition with its sale of an unpatented article.' The Court has repeatedly held that to allow such suits would be to extend the aid of a court of equity in expanding the patent beyond the legitimate scope of its monopoly."); *Princo Corp. v. ITC*, 616 F.3d 1318, 1328 (Fed. Cir. 2010) (en banc) ("The doctrine of patent misuse is thus grounded in the policy-based desire to 'prevent a patentee from using the patent to obtain market benefit beyond that which inheres in the statutory patent right.' ... It follows that the key inquiry under the patent misuse doctrine is whether, by imposing the condition in question, the patentee has impermissibly broadened the physical or temporal scope of the patent grant and has done so in a manner that has anticompetitive effects."); *Va. Panel Corp. v. MAC Panel Co.*, 133 F.3d 860, 869 (Fed. Cir. 1997) (holding that if "the practice has the effect of extending the patentee's statutory rights and does so with an anti-competitive effect, that practice must then be analyzed in accordance with the 'rule of reason'"); *Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1001 (Fed. Cir. 1986) (holding that patent misuse "requires that the alleged infringer show that the patentee has impermissibly broadened the 'physical or temporal scope' of the patent grant with anticompetitive effect").

⁴⁴ *Ill. Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 45–46 (2006) ("Congress, the antitrust enforcement agencies, and most economists have all reached the conclusion that a patent does not necessarily confer market power upon the patentee. Today, we reach the same conclusion[.]"); *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1367 (Fed. Cir. 1984) (Rich, J.) ("The patent system, which antedated the Sherman Act by a century, is not an 'exception' to the antitrust laws, and patent rights are not *legal monopolies* in the antitrust sense of that word."); *Carl Schenck, A.G. v. Nortron Corp.*, 713 F.2d 782, 786 n.3 (Fed. Cir. 1983) (Markey, C.J.) ("It is but an obfuscation to refer to a patent as 'the patent monopoly' or to describe a patent as an 'exception to the general rule against monopolies.'"); *USM Corp. v. SPS Techs., Inc.*, 694 F.2d 505, 511 (7th Cir. 1982) (Posner, J.) ("[O]f course, not every patent confers market power[.]"); *SCM Corp. v. Xerox Corp.*, 645 F.2d 1195, 1204 (2d Cir. 1981) ("The law is unsettled concerning the effect under the antitrust laws, if any, that the evolution of a patent monopoly into an economic monopoly might have upon a patent holder's right to exercise the exclusionary power ordinarily inherent in a patent."). See also *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969) ("A patent, in the last analysis, simply represents a legal conclusion reached by the Patent Office. Moreover, the legal conclusion is predicated on factors as to which reasonable men can differ widely. Yet the Patent Office is often obliged to reach its decision in an ex parte proceeding, without the aid of the arguments which could be advanced by parties interested in proving patent invalidity.").

⁴⁵ This danger can be seen in Judge Posner's musings in *USM Corp. v. SPS Technologies*:

But we must also consider whether the patent misuse doctrine goes beyond these specific practices and constitutes a general code of patent licensing distinct from antitrust law.

... Since the antitrust laws as currently interpreted reach every practice that could impair competition substantially, it is not easy to define a separate role for a doctrine also designed to prevent an anticompetitive practice—the abuse of a patent monopoly. One possibility is that the doctrine of patent misuse, unlike antitrust law, condemns any patent licensing practice that is even trivially anticompetitive, at least if it has no socially beneficial effects.

694 F.2d at 511.

II.

A.

Flash forward now to 2013, when the Supreme Court decided *FTC v. Actavis, Inc.*⁴⁶ Of all the recent cases involving patents and antitrust law, this one perhaps best illustrates the continuing tension at the patent–antitrust interface. The key facts of the case will be familiar to antitrust and patent practitioners alike, but they bear repeating here to set the stage for the discussion that follows.

Actavis involves a challenge by the U.S. Federal Trade Commission (FTC) to the legality of certain settlements of patent infringement litigation brought by Solvay Pharmaceuticals, Inc., the manufacturer of a patented testosterone replacement gel marketed under the brand name AndroGel, against Watson Pharmaceuticals, Inc. (later known as Actavis, Inc.) and Paddock Laboratories, Inc., both of whom were seeking approval from the Food and Drug Administration (FDA) to market generic versions of AndroGel.⁴⁷ In May 2003, Watson and Paddock availed themselves of a regulatory process known as Hatch–Waxman for obtaining accelerated FDA approval of their generic versions of Solvay’s drug.⁴⁸ To use the Hatch–Waxman process, Watson and Paddock each had to certify that, to the best of their knowledge, Solvay’s patent was invalid or would not be infringed by the manufacture, use, or sale of their respective generic versions.⁴⁹ Those so-called paragraph IV certifications to the FDA in turn triggered the filing of infringement suits by Solvay against each of them in

⁴⁶ 570 U.S. 136 (2013).

⁴⁷ The patent-in-suit was U.S. Patent No. 6,503,894, for a “Pharmaceutical Composition and Method for Treating Hypogonadism,” issued by the U.S. Patent & Trademark Office on January 7, 2003. For Solvay’s infringement suits against Actavis and Paddock, see Complaint, *Unimed Pharms., Inc. v. Watson Pharms., Inc.*, No. 1:03-cv-02501-TWT, 2003 WL 23824320 (N.D. Ga. filed Aug. 21, 2003), and Complaint, *Unimed Pharms., Inc. v. Paddock Labs., Inc.*, No. 1:03-cv-02503-RWS, 2003 WL 23824347 (N.D. Ga. filed Aug. 21, 2003). For the purposes of this essay, references to each party (e.g., Watson) include its successor(s)-in-interest (e.g., Actavis) unless the context requires otherwise.

⁴⁸ Drug Price Competition and Patent Term Restoration Act of 1984, Pub. L. No. 98-417, tit. I, § 101, 98 Stat. 1585, 1585 (1984) (codified at 21 U.S.C. § 355(j)) (referred to as the Hatch–Waxman Amendments to the Federal Food, Drug, & Cosmetic Act). Actavis submitted its application before Paddock did, thereby attaining “first-filer” status and a 180-day period of exclusivity as the only generic on the market following FDA approval.

⁴⁹ 21 U.S.C. § 355(j)(2)(A)(vii)(IV). In FDA and Hatch–Waxman parlance, this is known as a “paragraph IV” certification, after the specific paragraph in section 505(j)(2)(A)(vii) of the Federal Food, Drug, & Cosmetic Act.

August 2003, contesting the certifications and seeking to have the FDA delay approval pending the outcome of the suits.⁵⁰

The FDA eventually approved Watson's generic version for marketing and sale in January 2006, but Watson entered into a "reverse-payment" settlement agreement with Solvay, under which Watson agreed to delay the market entry of its generic version until 2015 and to promote the branded AndroGel product instead to doctors, in exchange for millions of dollars in payments from Solvay. Paddock, along with a business partner, Par Pharmaceutical Companies, Inc., entered into a similar "reverse-payment" settlement with Solvay. In February 2009, the FTC sued all four firms for entering into agreements that unreasonably restrained trade, and Solvay for monopolization of AndroGel, all in violation of section 5 of the Federal Trade Commission Act.⁵¹

The defendants moved to dismiss the FTC's complaint, which the district court granted.⁵² The FTC appealed that dismissal to the Eleventh Circuit, which affirmed.⁵³ The court of appeals adhered to its precedent: "absent sham litigation or fraud in obtaining the patent, a reverse payment settlement is immune from antitrust attack so long as its anticompetitive effects fall within the scope of the exclusionary potential of the patent."⁵⁴ In other words, the scope-of-the-patent exception insulates settlement agreements from antitrust scrutiny, including those in which the patent owner pays the accused infringer.

⁵⁰ 21 U.S.C. § 355(j)(2)(B)(iii); 35 U.S.C. § 271(e)(2)(A). Under Hatch-Waxman, the timely filing of an infringement suit against a generic applicant that has made a paragraph IV certification triggers an automatic 30-month stay of FDA approval, which may be modified by a court.

⁵¹ 15 U.S.C. § 45. Section 5 of the FTC Act authorizes the FTC to enjoin "unfair methods of competition," which include unreasonable restraints of trade that violate section 1 of the Sherman Act and monopolization that violates section 2 of the Sherman Act. See *FTC v. Ind. Fed'n of Dentists*, 476 U.S. 447, 454 (1986); *FTC v. Cement Inst.*, 333 U.S. 683, 693 (1948).

⁵² *In re AndroGel Antitrust Litig.* (No. II), No. 1:09-MD-02084-TWT (N.D. Ga. Feb. 22, 2010) (ECF No. 50). The FTC's case was initially filed in the Central District of California and then transferred to the Northern District of Georgia (No. 1:09-cv-00955-TWT), where it was consolidated for pretrial proceedings with other actions brought by private plaintiffs, per the Judicial Panel on Multidistrict Litigation.

⁵³ *FTC v. Watson Pharms., Inc.*, 677 F.3d 1298 (11th Cir. 2012), *rev'd sub nom.* *FTC v. Actavis, Inc.*, 570 U.S. 136 (2013).

⁵⁴ *Id.* at 1312 (citing *Andrx Pharms., Inc. v. Elan Corp.*, 421 F.3d 1227 (11th Cir. 2005); *Schering-Plough Corp. v. FTC*, 402 F.3d 1056 (11th Cir. 2005); *Valley Drug Co. v. Geneva Pharms., Inc.*, 344 F.3d 1294 (11th Cir. 2003)).

The Supreme Court granted certiorari and reversed. It disagreed with the Eleventh Circuit that the scope-of-the-patent exception alone “can immunize the agreement from antitrust attack”⁵⁵ and held instead that “reverse payment settlements ... can sometimes violate the antitrust laws.”⁵⁶ To make such a determination, the Court instructed lower courts to evaluate such settlements from the standpoint of “procompetitive antitrust policies” as well as “patent law policy,”⁵⁷ and to apply the Rule of Reason as in other antitrust cases.⁵⁸ “Whether a particular restraint lies ‘beyond the limits of the patent monopoly’ is a *conclusion* that flows from that analysis and not, as [the dissent] suggests, its starting point.”⁵⁹

The dissent, penned by Chief Justice Roberts and joined by Justices Scalia and Thomas,⁶⁰ took issue with the majority’s approach to use “antitrust law’s amorphous rule of reason,” deriding it as a “novel approach ... without support in any statute.”⁶¹ In the dissent’s view, the question “[w]hether a particular restraint lies ‘beyond the limits of the patent monopoly’” “should be determined by reference to *patent law*” because a patent owner’s behavior “would be unlawful only if its patent were invalid or not infringed.”⁶² Stated differently, only if a patent owner’s actions “go beyond the

⁵⁵ FTC v. Actavis, Inc., 570 U.S. 136, 147 (2013).

⁵⁶ *Id.* at 141.

⁵⁷ *Id.* at 148.

⁵⁸ *Id.* at 149 (referring to “traditional antitrust factors such as likely anticompetitive effects, redeeming virtues, market power, and potentially offsetting legal considerations present in the circumstances, such as here those related to patents”) & 156 (“An antitrust defendant may show in the antitrust proceeding that legitimate justifications are present, thereby explaining the presence of the challenged term and showing the lawfulness of that term under the rule of reason.”). See also *id.* at 158–59 (declining the FTC’s invitation to apply a “quick look” approach to reverse payment settlements of infringement suits and concluding that the complexities associated with such settlements require the FTC to “prove its case as in other rule-of-reason cases”).

⁵⁹ *Id.* at 149.

⁶⁰ As noted previously, this was a 5–3 decision because Justice Alito did not participate in the consideration or decision of the case.

⁶¹ *Id.* at 160–61 (Roberts, C.J., dissenting).

⁶² *Id.* at 164 (Roberts, C.J., dissenting). “[The majority] seems to have in mind a regime where courts ignore the patent, and simply conduct an antitrust analysis of the settlement without regard to the validity of the patent. But a patent holder acting within the scope of its patent does not engage in any unlawful anticompetitive behavior; it is simply exercising the monopoly rights granted to it by the Government.” *Id.*

monopoly powers conferred by the patent” are they then “subject to antitrust scrutiny.”⁶³

B.

The disagreement between the *Actavis* majority and the dissent thus boils down to one over what it means exactly for a patent owner “to act within the scope of its patent.” According to the majority, this question presupposes that the patent is not invalid and is infringed, and in a patent infringement suit (such as one initiated by the manufacturer of a patented drug in response to a generic applicant’s paragraph IV certification) invalidity and/or infringement are very much at issue.⁶⁴ Accordingly, a settlement in which a patent owner pays a competitor to respect its patent “and quit its patent invalidity or noninfringement claim” ought to raise questions and draw antitrust scrutiny.⁶⁵ To assert that the patent owner has a supposed unconditional right to settle an infringement suit in this manner is incongruous “with the patent-related policy of eliminating unwarranted patent grants so the public will not ‘continually be required to pay tribute to would-be monopolists without need or justification.’”⁶⁶

According to the *Actavis* dissent, however, uncertainty about the validity or infringement of a patent in litigation is never enough to subject a settlement of that litigation to antitrust scrutiny.⁶⁷ “[I]n the 123 years since the Sherman Act was passed, [the Supreme Court has] never let antitrust law cross that Rubicon.”⁶⁸ A patent owner litigating and settling an infringement suit is presumed to be acting within the scope of its patent, and therefore immune from antitrust attack.⁶⁹ To the extent that “we’re

⁶³ *Id.* at 162 (Roberts, C.J., dissenting).

⁶⁴ *Id.* at 147 (“The patent here may or may not be valid, and may or may not be infringed.... But an *invalidated* patent carries with it no such right. And even a valid patent confers no right to exclude products or processes that do not actually infringe.”). “The paragraph IV litigation in this case put the patent’s validity at issue, as well as its actual preclusive scope.” *Id.*

⁶⁵ *Id.* at 151.

⁶⁶ *Id.* (quoting *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969)).

⁶⁷ *Id.* at 167 (Roberts, C.J., dissenting) (“The majority points to *no* case where a patent settlement was subject to antitrust scrutiny merely because the validity of the patent was uncertain. Not one.”).

⁶⁸ *Id.* (Roberts, C.J., dissenting).

⁶⁹ *Id.* at 163 (Roberts, C.J., dissenting).

not quite certain if the patent is actually valid, or if the competitor is infringing it,” that “is plainly a question of patent law,” not antitrust law.⁷⁰

The disagreement in *Actavis* thus underscores the continuing influence of *Bement* and *Morton Salt* in the thinking of some members of the federal judiciary, including several Justices. Neither case is mentioned by name in the *Actavis* opinion but the scope-of-the-patent exception, which the dissent describes as a Rubicon that has never been crossed by antitrust law, originates with *Bement*.⁷¹ Moreover, the view that the question whether a patent owner is acting within the scope of its patent is one of patent law, not antitrust law, is reinforced by *Morton Salt*: any competitive concerns associated with a patentee’s conduct outside the scope of its monopoly can be addressed in the first instance as patent misuse. There is potentially no need for antitrust law to intervene.

As an antitrust decision issued by the Supreme Court, *Actavis* unquestionably moves the needle forward with respect to abandoning the rigid scope-of-the-patent exception in favor of a flexible Rule of Reason analysis of patent-related conduct.⁷² But the Court did not overrule (or even clarify) *Bement* or any of the intervening decisions that have reaffirmed the scope-of-the-patent exception as an interpretation of the Sherman Act.⁷³ Instead, the Court simply said that the scope-of-the-patent exception

⁷⁰ *Id.* (Roberts, C.J., dissenting).

⁷¹ See, e.g., *United States v. Line Material Co.*, 333 U.S. 287, 309 (1948) (“The Sherman Act was enacted to prevent restraints on commerce but has been interpreted as recognizing that patent grants were an exception.” (citing *E. Bement & Sons v. Nat’l Harrow Co.*, 186 U.S. 70, 92 (1902))); *Standard Sanitary Mfg. Corp. v. United States*, 226 U.S. 20, 39–40 (1912) (“And we shall keep in mind and apply the principal [sic] expressed in [*Bement*] ...” (quoting *Bement*, 186 U.S. at 92)).

Additionally, the amicus brief submitted by Bayer AG and Bayer Corp. in support of the respondents relied heavily on *Bement*. Brief of Amici Curiae Bayer AG and Bayer Corp. in Support of Respondents, *FTC v. Actavis, Inc.*, 570 U.S. 136 (2013) (No. 12–416), available at 2013 WL 795552 (U.S. filed Feb. 28, 2013).

⁷² See Hovenkamp, *supra* note 21, at 477 (“The *Actavis* decision suggests that the Supreme Court may be finished with the walled garden approach reflected in the ‘scope of the patent’ test.”).

⁷³ See, e.g., *Line Material Co.*, 333 U.S. at 309; *Precision Instrum. Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 816 (1945) (“A patent by its very nature is affected with a public interest. As recognized by the Constitution, it is a special privilege designed to serve the public purpose of promoting the ‘Progress of Science and useful Arts.’ At the same time, a patent is an exception to the general rule against monopolies and to the right to access to a free and open market.”); *Ethyl Gasoline Corp. v. United States*, 309 U.S. 436, 452 (1940) (“But it does not follow that it can lawfully exercise that power in such manner as to control the patented commodity in the hands of the licensed jobbers who had purchased it, or their actions with respect to it in ways not within the limits of the patent monopoly, and conspicuously

is insufficient to save a reverse-payment settlement from antitrust scrutiny.⁷⁴ This approach leaves intact the continually nagging tension between patents and antitrust law, and leaves open the question whether the myriad species of patent-related conduct should be adjudged under patent policy, antitrust policy, or both.

III.

A.

The time is ripe for the Supreme Court to update and clarify its interpretation of the relationship between patents and the Sherman Act.⁷⁵ To be sure, conduct that the Patent Act expressly authorizes should be exempt from the antitrust laws.⁷⁶ But the grant of a patent alone does not automatically or necessarily confer a monopoly in the economic or antitrust sense,⁷⁷ and the Court should therefore discard the notion that

among such controls which the Sherman law prohibits and the patent law does not sanction is the regulation of prices and the suppression of competition among the purchasers of the patented articles.”).

⁷⁴ *Actavis*, 570 U.S. at 147.

⁷⁵ Professor Hovenkamp has similarly stated that “[o]ne of the more unhelpful patent/competition rules is that a patent practice should be evaluated by querying whether it reaches ‘beyond the scope’ of the patent grant. The formulation perpetuates the idea of the patent as a walled garden whose insides are largely free of scrutiny, while everything outside is challengeable.” Hovenkamp, *supra* note 21, at 476.

⁷⁶ See Herbert Hovenkamp, *The Rule of Reason*, 70 FLA. L. REV. 81, 152 (2018) (“To the extent that the IP statutes expressly authorize a particular practice, it should be immune from antitrust attack. For example, the Patent Act provides that a unilateral refusal to license cannot be either patent misuse or an antitrust violation, or that tying of patented goods is unlawful only in the presence of tying-market power.”).

Additionally, conduct associated with the procurement of a patent should be largely free from antitrust scrutiny because the Patent and Trademark Office (PTO) is better positioned than the courts and the antitrust enforcement agencies to police and punish conduct relating to its own agency business and, in any event, such conduct likely constitutes petitioning activity protected by the *Noerr-Pennington* doctrine. See Hovenkamp, *supra* note 21, at 480 (“To be sure, the USPTO might issue too many patents or permit overly broad or vague claims, but these are not matters of antitrust concern. It is not antitrust law’s purpose to police shortcomings in other regulatory agencies.”). The notable exception, of course, is intentional fraud on the PTO, which can be the predicate for a *Walker Process* monopolization claim. *Id.* (noting, however, that “*Walker Process* is not about pre-issuance conduct as such. It is concerned with infringement actions, which occur post-issuance.”). See *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 176–77 (1965) (recognizing that fraudulent procurement may provide the basis of a monopolization claim in addition to a defensive or declaratory challenge to the validity or enforceability of the patent in question and a charge of patent misuse).

⁷⁷ See cases cited *supra* note 44. In addition to the authorities already cited, *Walker Process* also recognizes that patents do not automatically or necessarily confer economic monopolies. That is why the Court held that to establish a monopolization or attempted monopolization claim, “it would then be necessary to appraise the exclusionary power of the illegal patent claim in terms of the relevant market for the product involved. Without a definition of that market there is no way to measure Food Machinery’s ability to lessen or destroy competition.” 382 U.S. at 177. No differently, the exclusionary scope or potential of the *legal* (i.e., *valid and enforceable*) patent claim requires a similar economic appraisal.

there is some discrete zone in which a patent owner may freely operate without regard to competitive concerns or fear of antitrust scrutiny. Instead, the statutory text of the Patent Act and antitrust's Rule of Reason, as construed and applied by the courts, ought to be enough to give patent owners the guidance and flexibility they need in their dealings with competitors, licensees, customers, and other market participants.

As noted in Part I.A., the scope-of-the-patent exception arose during a period before the Rule of Reason had fully come into being, supplanting the per se rule as the default interpretation of section 1 of the Sherman Act. During that critical period, and arguably in the seven or so decades that followed, patent-related conduct warranted some protection from potential overreach by antitrust law and policy.⁷⁸ Since the 1970s, however, there has been a gradual reining in of antitrust enforcement so that it hews more closely to its stated goal of increasing consumer welfare by protecting competition.⁷⁹ Nowadays antitrust analysis should be more than capable of taking full account of any procompetitive and pro-innovation justifications proffered for patent-related conduct. There is therefore no compelling reason for continuing to shelter patent-related conduct inside a "walled garden," to use Professor Hovenkamp's expression.

Additionally, the Court should consider clarifying the role of the patent misuse doctrine. As recently illustrated in *Kimble v. Marvel Entertainment, LLC*,⁸⁰ the Patent Act imposes certain subject-matter and temporal limits on an issued patent⁸¹ that a

⁷⁸ See Hovenkamp, *supra* note 21, at 477–78 ("To be sure, that approach made some sense in the early 1970s when Bowman was writing. At that time, antitrust policy was unreasonably hostile toward a wide variety of conduct, particularly vertical practices that we regard today as economically harmless. The walled garden protected the patent from significant antitrust overreaching.").

⁷⁹ *Id.* at 473 ("Beginning in the late 1970s, however, antitrust law went through a lengthy and still ongoing process of court-imposed discipline that has brought its rules more closely into alignment with its stated concern, which is increasing consumer welfare by promoting competition.").

⁸⁰ 135 S. Ct. 2401 (2015). The sole question before the Court in *Kimble* was whether it should overrule the prohibition in *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), on a patent owner charging royalties for the use of its invention after its patent has expired.

⁸¹ *Id.* at 2407 ("This Court has carefully guarded that cut-off date, just as it has the patent laws' subject-matter limits: In case after case, the Court has construed those laws to preclude measures that restrict free access to formerly patented, as well as unpatentable, inventions.").

patentee cannot ignore or avoid, even for what may be legitimate business reasons.⁸² Accordingly, as a matter of *patent policy*, the question whether a patentee's conduct falls within the scope of its patent continues to have substantive meaning and content. And to the extent that a patent owner engages in conduct that falls outside the subject-matter or temporal limits of its patent, in violation of patent policy, the patent misuse doctrine may appropriately step in to deny relief in the courts.

Equally importantly, though, *Kimble* rejects the notion that a rule prohibiting post-expiration royalties has anything to do with antitrust policy or competition:⁸³

The patent laws—unlike the Sherman Act—do not aim to maximize competition (to a large extent, the opposite). And the patent term—unlike the “restraint of trade” standard—provides an all-encompassing bright-line rule, rather than calling for practice-specific analysis.⁸⁴

The foregoing statement from the Court⁸⁵ is both telling and instructive because it strongly suggests that the patent misuse doctrine should cease all pretense about having anything to do with competitive effects.⁸⁶ Instead, to best effectuate patent

⁸² *Id.* at 2408 (“The *Brulotte* rule, like others making contract provisions unenforceable, prevents some parties from entering into deals they desire.”).

⁸³ *Id.* at 2413.

⁸⁴ *Id.* “So in deciding whether post-expiration royalties comport with patent law, *Brulotte* did not undertake to assess that practice’s likely competitive effects. Instead, it applied a categorical principle that all patents, and all benefits from them, must end when their terms expire.” *Id.*

⁸⁵ It bears noting that *Kimble* was a 6–3 decision. Justice Kagan wrote the opinion for the majority, which included Justices Scalia, Kennedy, Ginsburg, Breyer, and Sotomayor. Justice Alito, who took no part in the *Actavis* decision, wrote the dissent, which Chief Justice Roberts and Justice Thomas (two of the *Actavis* dissenters) joined.

⁸⁶ In *Princo Corp. v. ITC*, 616 F.3d 1318 (Fed. Cir. 2010) (en banc), the Federal Circuit sitting en banc declined Princo’s request that it “overrule the line of authority ... holding that patent misuse requires a showing that the patentee’s conduct had anticompetitive effects.” *Id.* at 1334. The court noted that it has consistently adhered to this requirement since *Windsurfing International Inc. v. AMF, Inc.*, 782 F.2d 995, 1001–02 (Fed. Cir. 1986), and explained that this position “is consistent with the traditional characterization of the defense of patent misuse by the Supreme Court, quoting *Illinois Tool Works Inc. v. Independent Ink, Inc.*, 547 U.S. 28, 38 (2006) (describing a patent misuse defense as arising “when a patentee uses its patent ‘as the effective means of restraining competition with its sale of an unpatented article.’” (quoting *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 490 (1942))). *Id.*

With all due respect to the Federal Circuit, both *Windsurfing International* and *Princo* misapprehend Supreme Court precedent on the nature and scope of the patent misuse doctrine. For the proposition that the patent misuse defense “requires that the alleged infringer show that the patentee has impermissibly broadened the ‘physical or temporal scope’ of the patent grant with anticompetitive effect,” *Windsurfing International* cites to *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 343 (1971). 782 F.2d at 1001. But *Blonder-Tongue* makes no mention of anticompetitive effects; the

policy as it was fashioned to do, the misuse doctrine should focus on rigid bright-line rules that strictly enforce the subject-matter and temporal limits that Congress has imposed on patents. This shift in the role of the doctrine would avoid any potential dissonance between how misuse and antitrust law each go about assessing the competitive effects of patent-related conduct.⁸⁷ That task should be the exclusive province of antitrust law.

B.

Besides recommending that the Supreme Court discard the scope-of-the-patent exception in antitrust jurisprudence and clarify the role of the patent misuse doctrine, this essay concludes with a more general proposal. When evaluating patent-related conduct under antitrust law, courts should identify the specific patent rights that are involved or at stake. Part of the problem with the perspective of patents as “limited monopolies” is that it creates a tendency for the courts to regard patents simplistically as unitary government grants of exclusivity for a specified period.⁸⁸ In truth, patents,

cited page merely notes that an “obvious manifestation of [the] principle [that patent monopolies should be free from fraud and kept within their legitimate scope] has been the series of decisions in which the Court has condemned attempts to broaden the physical or temporal scope of the patent monopoly.” 402 U.S. at 343. *Princo*’s reliance on *Illinois Tool Works* is likewise misplaced. In the very next paragraph after the one from which *Princo* draws its quote, the Supreme Court noted that *Morton Salt* and other early misuse decisions assumed, “[w]ithout any analysis of actual market conditions, ... that, by tying the purchase of unpatented goods to the sale of the patented good, the patentee was ‘restraining competition[.]’” 547 U.S. at 38. In other words, these early misuse decisions erroneously presumed that patents confer market power and in fact made no attempt to assess anticompetitive effects.

Nor does the passage of the 1988 Patent Misuse Reform Act, Pub. L. No. 100–703, tit. II, § 201, 102 Stat. 4674, 4676 (1988) (amending 35 U.S.C. § 271(d)), evidence a grounding of patent misuse generally on a showing of anticompetitive effects. See *Princo*, 616 F.3d at 1334. All Congress did was to exclude certain conduct—namely, a refusal to license or use any rights to the patent, or a conditioning of a license of any rights to the patent or a sale of the patented product on the acquisition of a license of any rights in another patent or a purchase of a separate product—from the scope of the patent misuse doctrine unless the patent owner is shown to have market power in the relevant market for the patent or patented product on which the license or sale is conditioned. The Act did not limit or otherwise modify the application of the doctrine to other patent-related conduct.

⁸⁷ Professor Hovenkamp has similarly advocated that “[w]hen the Patent Act does not authorize a certain practice, the best approach is to let antitrust do what it ordinarily does, condemning naked agreements under a per se rule and applying the rule of reason to legitimately ancillary activity.” Hovenkamp, *supra* note 76, at 152.

⁸⁸ In other words, the notion of “limited monopolies” perpetuates a view of patents as slips of paper, akin to deeds to real property, issued by the federal government declaring the holder as having exclusive rights to the subject matter described in the document for a specified term—end of story. In truth, some patents lead rather complicated and tumultuous post-issuance lives.

like copyrights, embody a bundle of different but interrelated rights. Accordingly, three basic questions should be asked about patent-related conduct: (1) Does this conduct involve or implicate the exercise of a cognizable statutory right under patent law? (2) If there is a patent right involved, does the underlying law explicitly and necessarily sanction anticompetitive conduct or outcomes? (3) To what extent is the conduct regulated or actively supervised by another governmental agency (e.g., the United States Patent & Trademark Office (USPTO) or the FDA)?⁸⁹ Posing these questions can help address a longstanding concern that antitrust enforcement fails to take patent rights seriously and quell conflicts at the interface between patents and antitrust law.

For example, under the Patent Act, patents possess the attributes of personal property in that they can be owned and freely assigned.⁹⁰ But the right of a patent owner to assign its patent to another does not mandate an anticompetitive outcome or justify anticompetitive behavior. On the contrary, all it means is that patents are to be treated like any other assets that can be bought and sold. What's more, that right to assign a patent to another is separate from and independent of the right to exclude.⁹¹ As a result, courts historically have not encountered any difficulties in subjecting patent acquisitions to scrutiny under the antitrust laws.⁹² The fact that the

⁸⁹ Perspicacious readers will note that this inquiry resembles the two-part test for state-action immunity. See, e.g., *N.C. State Bd. of Dental Exam'rs v. FTC*, 135 S. Ct. 1101, 1112 (2015).

For an example of how the third question might come up with respect to the FDA, see *In re Buspirone Pat. Litig.*, 185 F. Supp. 2d 363, 371–73 (S.D.N.Y. 2002) (noting that “[t]he FDA does have a limited process for allowing parties to dispute the accuracy or relevance of patent information submitted to the FDA and listed in the Orange Book” but concluding that the listing of a patent in the Orange Book is in the nature of a ministerial act akin to the filing of a tariff). Consequently, the court held that the fraudulent listing of a patent in the Orange Book could give rise to Sherman Act liability. *Id.* at 373.

⁹⁰ 35 U.S.C. § 261.

⁹¹ Perhaps the best illustration of this point is the fact that some patents have market value for purely defensive reasons. See, e.g., James M. Rice, Note, *The Defensive Patent Playbook*, 30 Berkeley Tech. L.J. 725, 731 (2015) (recounting that companies in the late 1990s begin to buy up patents to deter infringement lawsuits rather than to assert them offensively); Andrei Hagiu & David B. Yoffie, *The New Patent Intermediaries: Platforms, Defensive Aggregators, and Super-Aggregators*, 27 J. ECON. PERSP. 45, 57 (2013) (describing the emergence of defensive patent aggregators like RPX and Allied Security Trust that buy up patents so that they cannot be asserted against their subscribing member companies by non-practicing entities).

⁹² See, e.g., *SCM Corp. v. Xerox Corp.*, 645 F.2d 1195, 1205 (2d Cir. 1981) (“Patent acquisitions are not immune from the antitrust laws.”). This includes section 7 of the Clayton Act. *Id.* at 1210 (“Since a patent is a form of property, see *generally* *Transparent-Wrap Machine Corp. v. Stokes & Smith Co.*, 329 U.S. 637, 643, 67 S. Ct. 610, 614, 91 L. Ed. 563 (1947), and thus an asset, there seems little reason to exempt patent acquisitions from scrutiny under this provision.”). *Accord* *Crucible, Inc. v. Stora Kopparbergs*

Patent Act permits patents to be transferred as part of a merger or sale does not and should not preclude an antitrust inquiry into the competitive effects of that transaction, or the acquirer's intent.⁹³

Patents can also be licensed, exclusively or nonexclusively, to other parties. Licensing contexts, of course, do implicate a patent owner's exclusive rights to make, use, and sell its patented invention (or not), and the terms under which it will agree to allow others to practice and commercialize the invention.⁹⁴ To the extent that a patent's claims read on particular goods, services, or methods in a cognizable antitrust market, there could be a lawful economic monopoly that the antitrust laws must tolerate.⁹⁵ And should persons skilled in the relevant art conclude that the patent's claims reach too broadly, the patent system provides several procedural avenues for fixing the "monopoly" problem, including *ex parte* reexaminations,⁹⁶ *inter partes* review

Bergslags AB, 701 F. Supp. 1157, 1162 (W.D. Pa. 1988). In *SCM Corp.*, the Second Circuit explained that what matters is whether, at the time of the acquisition, the patent monopoly has already evolved into an economic monopoly, so that the transaction likely imposes a risk of substantially lessening competition or creating a monopoly in a relevant market. 645 F.2d at 1205 ("That the asset acquired is a patent is irrelevant; in such a case the patented invention already has been commercialized successfully, and the magnitude of the transgression of the antitrust laws' proscription against willful aggregations of market power outweighs substantially the negative effect that the elimination of that class of purchasers for commercialized patents places upon the patent system.").

⁹³ See, e.g., *ABS Global, Inc. v. Inguran, LLC*, No. 14-cv-00503-wmc, 2016 WL 3963246, at *18–20 (W.D. Wis. July 21, 2016) (analyzing an acquisition of patents from the standpoint of whether they reflect an intent on the part of the patent owner to maintain its monopoly through anticompetitive means); *Intellectual Ventures I, LLC v. Capital One Fin. Corp.*, 99 F. Supp. 3d 610, 625–27, 629–30 (D. Md. 2015) (granting the defendants' motion for leave to amend their pleading to add monopolization and Clayton Act counterclaims challenging Intellectual Ventures' intentional acquisition of "a massive patent portfolio" of some 3,500 patents that purportedly read on existing products in the financial services industry), *counterclaims dismissed on summary judgment*, 280 F. Supp. 3d 691 (D. Md. 2017) (subsequently dismissing the defendants' counterclaims based on *Noerr-Pennington* immunity and defensive collateral estoppel regarding their failure to plead a cognizable relevant market in a separate action).

⁹⁴ 35 U.S.C. § 271(a).

⁹⁵ See *SCM Corp.*, 645 F.2d at 1204 ("No 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. In *Alcoa* this Court never questioned the legality of the economic monopoly *Alcoa* maintained by virtue of the two successive patents it had acquired." (citing *United States v. Aluminum Co. of Am.*, 148 F.2d 416, 430 (2d Cir. 1945) (Hand, J.))).

⁹⁶ 35 U.S.C. § 302 (2012).

proceedings,⁹⁷ and post-grant review proceedings.⁹⁸ Antitrust need not intervene in matters of claim scope and validity.⁹⁹

But here's the rub. Many licensed patents do not come close to creating economic monopolies; for example, in a relevant antitrust market there may be substitute goods, services, or methods that do not infringe, or the patent claims may cover only a feature or function that can be omitted or disabled. Yet, it is in such licensing settings that antitrust enforcement needs to be particularly vigilant because the patent owner may try to make up for the shortcomings in its patent with the inclusion of additional restrictions in its licenses.¹⁰⁰ Such restrictions may well be anticompetitive, in intent as well as effect. Antitrust scrutiny is therefore proper, and it advances the patent system's interest in ensuring that the public does not have to live with "monopolies" that the government never intended to grant.¹⁰¹

Let's now turn to the litigation and settlement of patent infringement and bring the discussion back to *Actavis*. In the context of paragraph IV infringement litigation under Hatch-Waxman, the right that the Patent Act expressly authorizes a patent owner to exercise is the right to sue the generic applicant for infringement.¹⁰² Importantly, there is no "patent monopoly" that automatically insulates the patent owner from antitrust scrutiny for either the lawsuit it brings¹⁰³ or the settlement it may

⁹⁷ *Id.* § 311.

⁹⁸ *Id.* § 321. The procedural differences among these avenues for challenging the validity of an issued patent and the related strategic considerations are outside the scope of this essay.

⁹⁹ See *United States v. Glaxo Grp. Ltd.*, 410 U.S. 52, 59 (1973) ("[W]e do not recognize unlimited authority in the Government to attack a patent by basing an antitrust claim on the simple assertion that the patent is invalid.... Nor do we invest the Attorney General with a roving commission to question the validity of any patent lurking in the background of an antitrust case.") (citation omitted). Accord *United States v. Ciba-Geigy Corp.*, 508 F. Supp. 1157, 1165–66 (D.N.J. 1979).

¹⁰⁰ The case law is rife with colorful examples of patentee overreach in the form of license provisions restricting the manufacture, use, or sale of unpatented articles that can be used with the invention.

¹⁰¹ "It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly[.]" *Lear, Inc. v. Adkins*, 395 U.S. 653, 663–64 (1969) (quoting *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892)).

¹⁰² 35 U.S.C. §§ 271(e)(2)(A) (defining the submission of a paragraph IV certification as a technical act of infringement) & 281 (providing that a patentee "shall have remedy by civil action" for infringement of its patent).

¹⁰³ It goes without saying that the filing of the lawsuit itself constitutes protected petitioning activity under the *Noerr-Pennington* doctrine unless it is shown that either the patent was fraudulently procured, or the

strike with its would-be generic competitor. On the contrary, the very fact that an infringement action must be brought to prevent the generic applicant from obtaining FDA approval and entering the market for the patented drug prior to patent expiration underscores that the patent confers on its owner a “more limited ‘right to *try* to exclude’” through its assertion in court.¹⁰⁴ Stated differently, in the litigation context, patents do not behave as bundles of exclusive rights that may be transferred or licensed; rather, they embody disputes that require resolution, through either adjudication or settlement. The patent system lets the courts do their work; absent a question of validity that returns the patent to the administrative process, the USPTO does not pick winners and losers in the game of infringement litigation.

Furthermore, in a paragraph IV infringement litigation (or any infringement litigation, for that matter), the patent owner is *not* the only party with rights granted by the Patent Act. Importantly, the law also grants the generic applicant, as the party accused of infringement, the right to assert defenses of noninfringement, unenforceability, and invalidity,¹⁰⁵ which presumably will include whatever grounds were stated in the applicant’s certification to the FDA.¹⁰⁶ Although the asserted patent is presumed valid in litigation, the Patent Act gives the generic applicant, as the challenger, an opportunity to establish invalidity in court.¹⁰⁷ In the litigation context,

litigation is a sham. See, e.g., *ERBE Elektromedizin GmbH v. Canady Tech. LLC*, 629 F.3d 1278, 1291–92 (Fed. Cir. 2010).

¹⁰⁴ Carl Shapiro, *Antitrust Limits to Patent Settlements*, 34 RAND J. ECON. 391, 395 (2003). See also *In re Terazosin Hydrochloride Antitrust Litig.*, 352 F. Supp. 2d 1279, 1296 (2005) (quoting the Shapiro article); Mark A. Lemley & Carl Shapiro, *Probabilistic Patents*, 19 J. ECON. PERSP. 75, 95 (2005) (“The patent system does not grant an absolute right to inventors to exclude others from practicing their inventions, as many economic models assume. Rather, the patent system gives the patent holder a right to *try* to exclude others by asserting its patent against them in court. The actual scope of a patent right, and even whether the right will withstand litigation at all, are uncertain and contingent questions.”).

¹⁰⁵ 35 U.S.C. § 282(b). This presupposes, of course, that the defenses have factual and legal merit and are being asserted by the generic applicant in good faith, as Rule 11 of the Federal Rules of Civil Procedure requires.

¹⁰⁶ 21 U.S.C. § 355(j)(2)(A)(vii)(IV) (“a certification, in the opinion of the applicant and to the best of his knowledge, with respect to each patent which claims the listed drug referred to in clause (i) or which claims a use for such listed drug for which the applicant is seeking approval under this subsection and for which information is required to be filed under subsection (b) or (c)— ... (IV) that such patent is invalid or will not be infringed by the manufacture, use, or sale of the new drug for which the application is submitted”).

¹⁰⁷ 35 U.S.C. § 282(a).

patents thus reflect unresolved disputes in which *both* parties have certain rights under the Patent Act. Asking the three questions posed at the beginning of this subpart, it should be clear that patent settlements are subject to antitrust scrutiny to the extent that the give-and-take between the patent owner and its would-be generic competitor raises competitive concerns.

It bears observing that even federal patent policy is concerned with what rights the generic applicant is giving up in a reverse-payment settlement and whether and how much the patent owner is paying the generic applicant to give up those rights.¹⁰⁸ To paraphrase the Supreme Court's opinion in *Lear, Inc. v. Adkins*, "[generic applicants] may often be the only [entities] with enough economic incentive to challenge the patentability of an inventor's discovery. If they are muzzled, the public [in this case, consumers of drugs] may continually be required to pay tribute to would-be monopolists without need or justification."¹⁰⁹ Patent policy thus would also look askance at a reverse payment settlement if the generic applicant were being paid by the brand manufacturer to abandon its statutory challenges to validity, enforceability, and infringement, and to respect the patent.

Although the Hatch-Waxman process is designed to induce earlier entry of generic drugs into the market, it does so by invoking the patent system's own dispute resolution rules, requiring the patent owner to prove infringement and the generic applicant to prove invalidity and unenforceability. A settlement of course removes that dispute from the courts and ostensibly turns it into a matter of private contracting. Unlike other disputes that may be settled privately, however, the settlement of an infringement action involving a patent invariably affects the public interest because "the efficient operation of the federal patent system depends upon substantially free trade in publicly known, unpatented design and utilitarian conceptions."¹¹⁰ To the extent that settlements serve to remove invalid or noninfringed patents from scrutiny, that gives rise to a matter of public concern.

¹⁰⁸ See *FTC v. Actavis, Inc.*, 570 U.S. 136, 157 (2013) ("An unexplained large reverse payment itself would normally suggest that the patentee has serious doubts about the patent's survival.").

¹⁰⁹ 395 U.S. 653, 670 (1969).

¹¹⁰ *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156 (1989).

To close, it seems odd to maintain that antitrust law cannot also scrutinize reverse payment settlements when such settlements should raise eyebrows even under federal patent policy. What bears repeating and remembering is that in the litigation context, patents are essentially unresolved disputes, not established monopolies. There is therefore no principled basis for asserting that these settlements are always immune from antitrust scrutiny.