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Patent Misuse Defense Limited by the Federal Circuit Sitting *En Banc*

September 8, 2010

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(September 8, 2010) On August 30, 2010, the U.S. Court of Appeals for the Federal Circuit, sitting *en banc*, issued its decision in *Princo Corp. v. International Tr. Comm.*, No. 2007-1386, Slip Op. (Fed. Cir. Aug. 30, 2010) (en banc), where the majority adopted a narrow view of the scope of a patent misuse defense available to a charge of patent infringement.

The majority opinion, authored by Judge Bryson, and joined by Chief Judge Rader and Judges Newman, Lourie, Linn and Moore, recognized that the doctrine of patent misuse is a judicially developed defense to patent infringement, and is statutorily limited by Congress through 35 U.S.C. § 271(d). Relying upon Supreme Court precedent, the majority confirmed that "the defense of patent misuse is not available to a presumptive infringer simply because a patentee engages in some kind of wrongful commercial conduct, even conduct that may have anticompetitive effects." (Slip op. at 19).

The majority summarizes the touchstones of "patent misuse" as follows:

What patent misuse is about, in short, is "patent leverage," i.e., the use of the patent power to impose over-broad conditions on the use of the patent in suit that are "not within the reach of the monopoly granted by the Government." ... What that requires, at minimum, is that the patent in suit must "itself significantly contribute [ ] to the practice under attack." ... Patent misuse will not be found when there is "no connection" between the patent right and the misconduct in question, ... , or no "use" of the patent, ...

(Slip op. at 24). In *Princo*, the majority found that there was no link between the putative misconduct and the patents that were sought to be enforced, thus no claim for patent misuse was stated.

In reaching this decision, the majority rejected the argument that merely using funds from a licensing program to support anticompetitive conduct is the kind of linkage to give rise to a patent misuse claim. (Slip op. at 24-25).

The majority also drew a distinction between an antitrust violation and patent misuse, noting that patent misuse is a narrower defense.

Finally, the majority reaffirmed that a demonstration of anticompetitive effects is also an element of a patent misuse defense. (Slip op. at 29-30). The burden is on the proponent of the patent misuse defense to establish that there is a "reasonable probability" that the conduct at issue has an anticompetitive effect. In the case of *Princo*, that burden was stated as:

What *Princo* had to demonstrate was that there was a "reasonable probability" that the Lagadec technology, if available for licensing, would have matured into a competitive force in the storage technology market.

(Slip op. at 38). The majority found that *Princo* did not meet its burden on demonstrating this point.

Judge Prost wrote a separate concurring opinion in which Judge Mayer joined. In the concurring opinion, Judges Prost and Mayer agreed that "a finding of patent misuse is unwarranted on this record because *Princo* failed to meet its burden of showing that any agreement regarding the Lagadec patent had anticompetitive effects. *Princo*'s failure to make this threshold showing resolves this case." (Judge Prost concur, slip op. at 1).

Judge Prost's concurring opinion declines to address whether the conduct at the heart of *Princo*'s claim is the type of conduct which could be patent misuse:

Because we need not reach the issue, I would thus reserve judgment on the precise metes and bounds of the patent misuse doctrine.

(*Id*. at 5).

Judge Dyk authored a dissenting opinion, in which Judge Gajarsa joined. Judge Dyk's opinion would have reached the conclusion that the existence of an antitrust violation -- in the form of an agreement to suppress an alternative technology designed to protect a patented technology from competition -- constitutes patent misuse. (Judge Dyk concur.).

For more information on *Princo*, or on the doctrine of patent misuse, please check our website (www.arelaw.com) for additional articles or contact one of our attorneys.

Mr. Macedo is a Partner at Amster, Rothstein & Ebenstein LLP and author of The Corporate Insider's Guide to U.S. Patent Practice, published by Oxford University Press. Mr. Macedo's practice specializes on intellectual property issues including litigating patent, trademark and other intellectual property disputes, prosecuting patents before the U.S. Patent and Trademark Office and other patent offices throughout the world, registering trademarks and service marks with the U.S. Patent and Trademark Office and other trademark