



## American Bar Association Section of Antitrust Law Intellectual Property Committee

### IP Committee Alert: Patent Misuse

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## Patent Misuse: The Questions That Linger Post-Princo

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*The Federal Circuit's en banc opinion in Princo clarified significantly the two-pronged "patent misuse rule of reason,"<sup>1</sup> holding that a patent holder commits misuse if it (1) "broadened the physical or temporal scope of the patent grant," (2) such that the "overall effect" of the practice "tends to restrain competition unlawfully in an appropriately defined relevant market."<sup>2</sup> Princo provided much-needed clarity to the first prong, and should aid lower courts in weeding out misguided misuse claims. But the Court had no occasion to explain fully how the second prong ("anticompetitive effects") should be applied—and it is in this area that future cases will flesh out the doctrine.*

*This article briefly examines the Princo opinion and the anticompetitive effect requirement, and then explores two inter-related questions that will require further development: (1) what should courts require the proponent of a misuse claim to prove (and plead) with respect to the relevant market; and (2) what types of effects will demonstrate that competition has been restrained and how rigorously must such effects be proven? The future application of the "anticompetitive effect" requirement is of great interest to antitrust practitioners because misuse claims often accompany antitrust claims as a practical matter. Its application will also dictate the circumstances in which misuse claims may exist independent of a viable antitrust claim. Indeed, sometimes misuse may substitute entirely for antitrust because the prerequisites for maintaining an antitrust claim (antitrust standing and injury) need not be met to maintain a misuse claim.<sup>3</sup>*

### The Princo En Banc Opinion

#### Background

CD-R (recordable) and CD-RW (rewritable) technology was developed in the 1980s and 1990s primarily through the collaboration of Philips with Sony. The companies jointly developed a set of specifications for interoperable CD discs and players, and released the standards in a publication

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<sup>1</sup> *Princo Corp. v. Int'l Trade Comm'n, et al.*, 616 F.3d 1318 (Fed. Cir. 2010). The rule of reason is the approach applied to most claims of misuse. Per se condemnation has not been applied in recent years, but it is at least theoretically applicable to a few practices, including tying arrangements "in which a patentee conditions a license under the patent on the purchase of a separable, staple good, and arrangements in which a patentee effectively extends the term of its patent by requiring post-expiration royalties." *Virginia Panel Corp. v. MAC Panel Co.*, 133 F.3d 860, 869 (Fed. Cir. 1997).

<sup>2</sup> *Windsurfing Int'l, Inc. v. AMF Int'l, Inc.*, 782 F.2d 995, 1001-1002 (Fed. Cir.), cert. denied, 477 U.S. 905 (1986).

<sup>3</sup> E.g., *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 494 (1942).

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known as the “Orange Book.” Philips assumed responsibility for administering a licensing program offering packages of patent licenses that Philips regarded as necessary to make Orange-Book-compliant products. The packages offered through the program included the rights to practice essential patents owned by Philips, Sony, and other patent holders.

Philips filed a complaint with the International Trade Commission (“Commission”), which held that Princo infringed six Philips patents and rejected Princo’s arguments that Philips committed patent misuse. A three-judge panel of the Federal Circuit reversed in part and remanded, instructing the Commission to consider whether factual support existed for one of Princo’s misuse theories: that Sony and Philips reached an agreement that Sony would not license one of its CD-related patents for use in technologies that competed with Orange Book-compliant products.<sup>4</sup> This patent is known as the “Lagadec” patent.

### ***The En Banc Opinion***

The *en banc* court addressed only one issue – whether an agreement “to suppress the technology embodied in Sony’s Lagadec patent” would constitute patent misuse.<sup>5</sup> The Court concluded it would not, holding that misuse is established only by “anticompetitive conduct by patentees who leverage their patents to obtain economic advantages outside the legitimate scope of the patent grant.”<sup>6</sup> Because the alleged agreement between Sony and Philips did not represent an instance of “patent leverage,” it could not be patent misuse; instead, such an agreement would represent only a horizontal pact not to compete.

The court could have ended its analysis at this point. However, it continued on to address the competitive effects of the practice, emphatically rejecting Princo’s suggestion that the Court “overrule the line of authority . . . holding that patent misuse requires a showing that the patentee’s conduct had anticompetitive effects.”<sup>7</sup> The Court instead held that the alleged agreement was an ancillary restraint subject to the rule of reason. Thus, even if a cognizable act of misuse were at issue, Princo’s claim would fail because it had “failed to show that the asserted agreement had any anticompetitive effects.”<sup>8</sup> Applying the rule of reason to the record developed by the Commission, the Court concluded that “even if there was such an agreement, it did not have the effect of suppressing potentially viable technology that could have competed with the Orange Book standards.”<sup>9</sup>

### **Princo’s Clarification Of The First Prong**

*Princo* makes clear that patent misuse can occur only when a patent holder attempts to “leverage” its patent grant to obtain additional commercial advantage not afforded by the patent itself. Alternatively stated, patent misuse requires that a patentee conditions the right to practice the claimed invention on the licensee’s acceptance of a restriction that prevents competition that the patentee could not prevent through an infringement suit. This standard should be easier for lower courts to apply than the pre-

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<sup>4</sup> *Princo Corp. v. Int’l Trade Comm’n*, 563 F.3d 1301 (Fed Cir. 2009), *abrogated at* 616 F.3d 1318 (Fed. Cir. 2010).

<sup>5</sup> 616 F.3d at 1326.

<sup>6</sup> *Id.* at 1331.

<sup>7</sup> *Id.* at 1334.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at 1337.

*Princo* articulations, which condemned attempts to “broaden” the scope of a patent grant – a standard that proved so vague that even the panel opinion in *Princo* failed to interpret it correctly.

Several decades of doctrinal development culminate in *Princo*’s “leveraging” test. In the more distant past, a host of practices were vulnerable to misuse challenges, but since the creation of the Federal Circuit courts have increasingly limited the scope of patent misuse and provided patentees greater freedom to dictate the manner in which their inventions are used.<sup>10</sup> For instance, some outdated cases prohibited patentees from charging different royalty rates to different licensees,<sup>11</sup> but under current law it is clear that price discrimination alone does not constitute patent misuse.<sup>12</sup> The Federal Circuit also has instructed lower courts not to allow “misuse” challenges to other types of conduct, such as “wrongful enforcement of patents.”<sup>13</sup>

The clarity *Princo* provides to the first prong of the patent misuse test should leave lower courts much better equipped to dismiss insufficient misuse claims on the pleadings (or on motions to strike, when misuse is raised as an affirmative defense). For instance, a number of litigants have alleged patent misuse based on failure to disclose patents to a standard development organization (“SDO”),<sup>14</sup> and some courts have suggested that such conduct could constitute misuse. In *Townshend v. Rockwell Int’l Corp.*,<sup>15</sup> for example, patent misuse was asserted based on the patentee’s alleged failure to disclose patents to an SDO. The court rejected the claim because it held that the applications were in fact disclosed,<sup>16</sup> but the court’s approach suggests that nondisclosure could have formed the basis for misuse. Under *Princo*, it appears that a patentee’s unilateral conduct, including misleading an SDO, would not constitute misuse.

*Princo*’s clarification of the first prong has important consequences beyond the obvious increase in judicial efficiency. Indeed, the most significant implication of clarifying the first prong of the patent misuse rule of reason is that it may impact what courts require under the second prong of the test.

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<sup>10</sup> E.g., *Monsanto Co. v. McFarling*, 363 F.3d 1336, 1341 (Fed. Cir. 2004) (if a challenged “restriction is reasonably within the patent grant, the patent misuse defense can never succeed.”).

<sup>11</sup> *Laitram Corp. v. King Crab*, 244 F. Supp. 9 (D. Alaska), modified 245 F. Supp. 1019 (D. Alaska 1965); *Peelers Co. v. Wendt*, 260 F. Supp. 193 (W.D. Wash. 1966).

<sup>12</sup> E.g., *Akzo N.V. v. United States International Trade Comm’n*, 808 F.2d 1471, 1489 (Fed. Cir. 1986), *cert. denied*, 482 U.S. 909 (1987). It is interesting to note that even in 1917 the Supreme Court did not question a patentee’s right to charge different royalty rates to different licensees depending on the size of the theatres in which a patented film projector was used. See *Motion Picture Patents Co. v. Universal Film Manufacturing Co.*, 243 U.S. 502, 518 (1917).

<sup>13</sup> *C.R. Bard, Inc. v. M3 Systems, Inc.*, 157 F.3d 1340, 1373 (Fed. Cir. 1998) (“‘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.”). It is possible that misuse could be present if the conduct also violates the antitrust laws, and antitrust law may provide remedies against litigants who bring objectively baseless claims with the intent to use the process of litigation to interfere directly with a competitor’s business. See *Professional Real Estate Investors v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 60 (1993). But in practice given the remedies available under the Sherman Act and the patent statute, it is not clear that a misuse remedy provides a meaningful additional deterrent.

<sup>14</sup> E.g., *Nokia Corp. v. Apple, Inc.*, No. 1:09-cv-00791-GMS, Dkt. No. 21 (D. Del. Feb. 19, 2010).

<sup>15</sup> No. 99-0400, 2000 WL 433505 (N.D. Cal. March 28, 2000).

<sup>16</sup> *Id.* at \* 11, 16.

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## How to Construe the Anticompetitive Effect Requirement Post-Princo?

The Federal Circuit first unequivocally articulated the “anticompetitive effect” requirement of patent misuse in the *Windsurfing* decision of 1986.<sup>17</sup> Prior to *Windsurfing* some courts had lamented the “vague” notions of equity and public policy that originally gave rise to the misuse doctrine,<sup>18</sup> and post-*Windsurfing* courts have enthusiastically embraced the anticompetitive effect requirement. According to the Seventh Circuit, “[t]he *Windsurfing* standard for patent misuse necessarily considers whether progress and innovation have been stymied and allows courts concretely to answer the vague question whether progress has been slowed.”<sup>19</sup> Since 1986, patent misuse doctrine has largely – and sometimes explicitly – incorporated antitrust analysis.<sup>20</sup> Indeed, despite the fact that misuse is sometimes termed a “broader wrong than [an] antitrust violation,”<sup>21</sup> the practical application of the rule of reason is similar in the misuse and antitrust contexts. As Judge Posner has famously asked: “[i]f misuse claims are not tested by conventional antitrust principles, by what principles shall they be tested?”<sup>22</sup>

The robust body of antitrust precedent informs the manner in which courts apply the anticompetitive effect requirement in the misuse context. But there is at least one critical context in which strict application of antitrust precedent may be inappropriate – market definition allegations at the pleading stage. Moreover, it is not clear that misuse doctrine and antitrust law should demand the same quantum of proof when examining whether or not competition has been restrained.

## Should Antitrust-Style Market Definition Be Required For Misuse Claims?

Given the widely-lamented costs of antitrust litigation, it is unsurprising that courts faced with antitrust claims have eagerly applied *Twombly* to require rigorously-pled allegations of relevant markets, antitrust injury, and anticompetitive effect.<sup>23</sup> Since *Twombly*, several litigants have argued, and at least one court has held, that equivalent allegations are necessary in misuse cases.<sup>24</sup> After *Princo*, however,

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<sup>17</sup> *Windsurfing Int'l, Inc. v. AMF Int'l, Inc.*, 782 F.2d 995, 1001-1002 (Fed. Cir.), cert. denied, 477 U.S. 905 (1986).

<sup>18</sup> *USM Corp. v. SPS Technologies, Inc.*, 694 F.2d 505, 510 (7th Cir. 1982) (Posner, J.) (“The doctrine of patent misuse has been described as an equitable concept designed to prevent a patent owner from using the patent in a manner contrary to public policy. *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942). This is too vague a formulation to be useful; taken seriously it would put all patent rights at hazard.”).

<sup>19</sup> *County Materials Corp. v. Allen Block Corp.*, 502 F.3d 730, 736 (7th Cir. 2007).

<sup>20</sup> See *Virginia Panel Corp. v. MAC Panel Co.*, 133 F.3d 860, 869 (Fed. Cir. 1997) (adopting formulation of rule of reason from the antitrust context, “the finder of fact must decide whether the questioned practice imposes an unreasonable restraint on competition, taking into account a variety of factors, including specific information about the relevant business, its condition before and after the restraint was imposed, and the restraint’s history, nature and effect.”) (quoting *State Oil Co. v. Khan*, 522 U.S. 3, 10 (1997)); *In the Matter of Certain Recordable Compact Discs and Rewritable Compact Discs*, USITC Inv. No. 337-YA-474, Commission Opinion, 2007 WL 1256290, at 26 (Feb. 5, 2007) (stating that the Federal Circuit “has indicated that the rule of reason standard to be applied is that developed in antitrust law.”).

<sup>21</sup> *Monsanto Co. v. Scruggs*, 459 F.3d 1328, 1339 (Fed. Cir. 2006) (quoting *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1372 (Fed. Cir. 1998)).

<sup>22</sup> *Saturday Evening Post v. Rumbleseat Press, Inc.*, 816 F.2d 1191, 1200 (7th Cir. 1987) (quoting *USM Corp. v. SPS Technologies, Inc.*, 694 F.2d 505, 512 (7th Cir. 1982) (Posner, J.)).

<sup>23</sup> See Heather L. Kafele, Mario Meeks, and Melissa Colangelo, *Emerging Trends And Patterns in Federal Antitrust Cases After Bell Atlantic Corp. v. Twombly* (March 2009) at 6, available at <http://www.shearman.com/files/upload/AT-030609-Antitrust%20Digest.pdf>.

<sup>24</sup> In *Delano Farms Co. v. Cal. Table Grape Comm’n*, 623 F. Supp. 2d 1144, 1179 (E.D. Cal. 2009), the court held that a theory of misuse premised on unlawful post-sale restraint of a product “fails because Plaintiffs have failed to identify a

it is far from obvious that this is appropriate in misuse cases, in particular at the motion to dismiss stage.

Under *Princo*, the first prong of the misuse test performs a strong gatekeeper function. By focusing directly on the nature of the conduct at issue, and delineating the practices that might give rise to liability, the first prong serves to reduce the risk of “false positives” in which courts condemn conduct that is not demonstrably anticompetitive. In this respect, patent misuse is fundamentally different from antitrust, because the Sherman Act provides no equivalent gatekeeper by which courts can weed out doomed claims. Many practices that are not strictly unilateral can be challenged as a “restraint of trade” that violates Section 1, and a similarly broad swathe of unilateral practices can be challenged as “exclusionary conduct” that violates Section 2. If the challenged practice is not per se illegal, in almost all cases the courts will fall back on the antitrust rule of reason. While in theory the quick-look approach is available,<sup>25</sup> often the only way for a court to avoid the open-ended rule of reason inquiry is to dispose of a case on the pleadings – and to do so it must employ imperfect gatekeepers that do not focus directly on the nature of the restraint.

A powerful antitrust gatekeeper is the need for plaintiffs to specify the relevant market and, where appropriate, the defendant’s market power.<sup>26</sup> Antitrust plaintiffs are generally required to allege the relevant market with specificity, accompanied by factual detail rendering plausible the allegations of both conduct and effect. Some courts have held that in rule of reason cases proof of actual detrimental effects can render unnecessary proof of market power,<sup>27</sup> but at the pleading stage many courts may require allegations of market power for a largely unspoken prudential reason: a restraint cannot produce an anticompetitive effect if it neither creates nor contributes to the maintenance of market power; thus, if no market power is alleged at the pleading stage the suit will almost certainly fail. Many courts considering rule of reason claims thus demand allegations defining both the relevant market and the defendant’s market power. (Section 2 claims also naturally require a plaintiff to provide detail on market definition and market power.) These requirements serve to weed out meritless claims without requiring courts to engage in “prolonged economic investigation into the entire history of the industry

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cognizable market required for this type of patent misuse claim.” In *Broadcom Corp. v. Qualcomm Inc.*, 2009 U.S. Dist. LEXIS 21023, Civ. No. 08-cv-1829-WQH (LSP) (S.D. Cal. Mar. 12, 2009), the plaintiff sought declaratory judgments of patent misuse and patent exhaustion, and the defendant moved to dismiss based in part of the plaintiff’s asserted failure to identify with sufficient specificity the relevant market. See Civ. No. 08-cv-1829 Docket No. 25 (Motion to Dismiss filed November 18, 2008). The Court granted the motion to dismiss, without prejudice, on other grounds. (Note: the author represented the defendant in *Delano Farms* and the plaintiff in *Broadcom*.)

<sup>25</sup> The quick look may not be entirely dead, *Polygram Holdings, Inc. v. FTC*, 416 F.3d 29 (D.C. Cir. 2005), but courts have been reluctant to apply it since *California Dental Ass’n v. FTC*, 526 U.S. 756 (1999). See ABA Section of Antitrust Law, *Antitrust Law Developments* (6th ed. 2007) at 62-63 (collecting cases in which lower courts have declined to apply quick-look analysis after *California Dental*).

<sup>26</sup> Some dispute exists as to whether market power is an element of a Section 1 claim. Compare *Ball Memorial Hospital, Inc. v. Mutual Hospital Insurance, Inc.*, 784 F.2d 1325, 1334 (7th Cir. 1986) (“Market power is a necessary ingredient in every case under the Rule of Reason.”) with *FTC v. Indiana Federation of Dentists*, 476 U.S. 447 (1986) (“proof of actual detrimental effect, such as a reduction of output, can obviate the need for an inquiry into market power.”) (internal quotation omitted).

<sup>27</sup> See, e.g., *Toys ‘R Us, Inc. v. FTC*, 221 F.3d 928 (7th Cir. 2000).

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involved ... in an effort to determine at large whether a particular restraint has been unreasonable – an inquiry so often wholly fruitless when undertaken.”<sup>28</sup>

But while the market definition gatekeeper may serve to shortcut a more extended inquiry, an overly stringent market definition requirement imposes costs of its own. In many antitrust cases considerable effort and expense is required to define the relevant market, and frequently even experts can disagree. In patent misuse cases it may often be even harder to define the precise metes and bounds of the relevant market, since the markets at issue – as in *Princo* – are likely to be rapidly developing and highly differentiated technology markets. Whether this effort is worthwhile depends on the likelihood that it will assist in separating anticompetitive conduct that should be condemned from procompetitive practices that should be encouraged. In light of the gatekeeping power of the first prong of the *Princo* test, this exercise often may prove too onerous a requirement in the patent misuse context.

### ***What Quantum and Nature of Effects Suffice to Demonstrate Anticompetitive Impact?***

*Windsurfing* requires that the “overall effect” of the challenged practice “tends to restrain competition unlawfully in an appropriately defined relevant market.” But the Federal Circuit has not yet fleshed out how strong the tendency must be before a restraint can be condemned.

The Federal Circuit has made it clear that no matter how pernicious a restraint’s “tendency” might be in the abstract, patent misuse cannot be found where the factual circumstances make it impossible that the restraint had an effect on competition. For instance, in *Monsanto Co. v. Scruggs*<sup>29</sup> the Court considered a licensing provision that prohibited farmers who purchased Monsanto’s “Roundup Ready” seeds from using any glyphosate herbicide other than Monsanto’s Roundup product for “over the top” application on the seeds.<sup>30</sup> While this is quite clearly a practice that would tend to harm competition between Roundup and other glyphosate herbicides, the majority held that no anticompetitive effect could be shown: during the relevant time period Roundup was the only product approved by the Environmental Protection Agency for use with Roundup Ready seeds, and once “Monsanto’s competitors sought and obtained regulatory approval . . . Monsanto modified its contracts accordingly.”<sup>31</sup>

The Federal Circuit’s holding in *Scruggs* is compelling, but this and other patent misuse cases<sup>32</sup> fail to provide guidance where competitive effects are more complex – e.g., a situation in which *some* competition appears to be foreclosed, or the evidence suggests that a marginal or nascent competitor *might* be impacted. For example, what if *Scruggs* had involved a situation in which several herbicides were approved for “over the top” application, but “over the top” was only one of several viable methods

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<sup>28</sup> *North Pacific R. Co. v. United States*, 356 U.S. 1, 5 (1958) (quoted in *United States v. Topco Associates, Inc.*, 405 U.S. 596, 607 (1972)).

<sup>29</sup> 459 F.3d 1328 (Fed. Cir. 2006).

<sup>30</sup> *See id.* at 1339.

<sup>31</sup> *Id.* at 1340.

<sup>32</sup> *E.g.*, in *U.S. Philips Corp. v. International Trade Commission*, 424 F.3d 1179 (Fed. Cir. 2005), a package patent licensing arrangement was challenged as misuse due to an alleged tie between patents “essential” to practice a standard (the tying product) and other, “non-essential” patents (the tied product). The Court held there was no evidence of “commercially feasible” alternatives to tied patents that were actually desired by any licensees, and thus concluded that “packaging those patents together with so-called essential patents can have no anticompetitive effect in the marketplace, because no competition for a viable alternative product is foreclosed.” *Id.* at 1194.

of applying herbicides to crops? To find a violation of the antitrust laws on those facts, the court would go through the exhaustive rule of reason analysis applicable to most vertical restraints – and consequently would consider pro-competitive justifications for the restraint, as well as the actual impact of the restriction on consumers and competition. The Federal Circuit has never addressed the propriety of such an exhaustive inquiry in the patent misuse context, and judicial efficiency considerations counsel against it. Considering all factors may be sound public policy in the antitrust context, because an extended consideration will help to avoid wrongly condemning aggressive competitive conduct. But are miniature antitrust trials, complete with battles of the experts, equally necessary to further the goals of misuse doctrine?

A court faced with a claim of misuse might understandably be less concerned than an antitrust court about the possibility that it will condemn competitively neutral conduct, because misuse is after all an equitable doctrine.<sup>33</sup> After *Princo*, competitive effects will not even come into play unless the patentee has acted in a manner contrary to public policy (i.e., attempted to leverage its patents rights to gain a commercial advantage beyond the patent grant). Such notions of fairness find little support in modern antitrust doctrine, which focuses on maximizing consumer welfare rather than restraining bad actors. Thus, under antitrust law, “[e]ven an act of pure malice by one business competitor against another does not, without more, state a claim under the federal antitrust laws,” and the fact that dominant firms “may impose painful losses on [their competitors] is of no moment to the antitrust laws if competition is not injured.”<sup>34</sup> These well-settled antitrust principles have little in common with traditional patent misuse doctrine, as the Supreme Court perhaps most clearly articulated in *Motion Picture Patents Co. v. Universal Film Manufacturing Co.*<sup>35</sup>

In *Motion Picture Patents*, the holder of a patent on film projectors attempted to encourage the use of its proprietary film by licensing its projectors only on the condition (written on the projector itself) that use of the machine was authorized only if film manufactured by the patentee was used. The Court found that the film projector patent did not carry with it the right to recover for infringement when film exhibitors used unapproved films, and that the attempt to restrict the films that could be used by licensees was invalid because such a film is obviously not any part of the invention of the patent in suit.<sup>36</sup>

The Court’s concerns were grounded squarely in patent policy rather than antitrust law – the Court gave no hint that the number or strength of competing manufacturers of projectors or film mattered to the misuse inquiry, or that a tendency “to create a monopoly” was a relevant consideration. While the Court cited the Clayton Act’s prohibition on tying as “a persuasive indication” that the patentee’s efforts to link film and projectors violated public policy,<sup>37</sup> it disapproved of using the patent laws to effectuate the link rather than of the tying itself. Most significantly, the Court specifically noted that it was not necessary to reach the question of whether an identical restriction imposed by private contract would

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<sup>33</sup> Moreover, the sanction may be perceived as less severe. While misuse has been criticized because the sanction is not tethered to the harm caused, at least misuse can be purged, and royalties wrongly-collected need not be disgorged. For a contrary view that the sanction for misuse can be overly harsh because it is not tethered to the harm inflicted, see Mark A. Lemley, Comment, *The Economic Irrationality of the Patent Misuse Doctrine*, 78 CALIF. L. REV. 1599 (1990).

<sup>34</sup> *Brooke Group Ltd. v. Brown & Williamson Tobacco Corp.*, 509 U.S. 209, 224-25 (1993).

<sup>35</sup> 243 U.S. 502 (1917).

<sup>36</sup> *Id.* at 518.

<sup>37</sup> *Id.* at 517-518.

have been valid,<sup>38</sup> making clear that use of a patent may violate public policy even if the same agreement decoupled from a patent license would not violate any law or policy.

If misuse doctrine is to stay true to its equitable roots, courts may conclude that there is a limited need to scrutinize closely the anticompetitive effects of a practice and accept more general demonstrations that a restraint has a pernicious tendency. The need for a fine analysis of anticompetitive effects seems diminished in light of the strong gatekeeper provided by *Princo's* leveraging test, and concomitantly the low risk of Type I errors. (And thus – to close the loop – there may be a limited need to delineate precisely the relevant markets at the pleading stage.) If the general tendency of a practice is to restrict competition, and there appears to be competition of any sort in an impacted market, the additional benefit provided by engaging in a detailed and costly market inquiry may simply not be worth, from a policy point of view, the investment of judicial resources.

## Conclusion

*Princo* answered many questions, but the development of the misuse doctrine is far from over – not least because no clear guidance yet exists on how to apply the “anticompetitive effect” requirement of the misuse test. As courts and practitioners grapple with this task, they may not be able to simply adopt antitrust standards, they may also have to adapt them. The effort to develop a functional and coherent doctrine will have to balance the different goals of misuse and antitrust, competing considerations of efficiency and equity, and the different strengths of different gatekeepers provided by the distinct doctrines.

Some years ago Judge Posner suggested that antitrust principles be applied to misuse claims because “[o]ur law is not rich in alternative concepts of monopolistic abuse.”<sup>39</sup> The Federal Circuit and other courts heeded the call, dramatically improving the clarity of the misuse doctrine by drawing on a well-developed body of antitrust jurisprudence. At some point, however, reflexive extension of antitrust principles will undermine the goals of misuse. Market definition and proof of anticompetitive effects are two areas where less adoption and more adaptation may be appropriate to achieve these goals.

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<sup>38</sup> *Id.* at 510.

<sup>39</sup> *USM Corp.*, 694 F.2d at 512.